NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "Aa1"
S&P: "AA+"
Fitch: "AA"
(See "RATINGS" herein)

In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, as Co-Special Counsel, under existing law, (i) interest on the 2023A Certificates is not excluded from gross income for federal income tax purposes; (ii) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the 2023B Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (iii) interest on the Certificates is exempt from State of California personal income taxes. Interest on the Certificates may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$103,410,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2023A
(AFFORDABLE HOUSING AND COMMUNITY FACILITIES PROJECTS)
(FEDERALLY TAXABLE)

$80,040,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2023B
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
(TAX-EXEMPT)

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: October 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 City and County of San Francisco Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable) (the "2023A Certificates") will be sold to provide funds to: (i) finance and refinance certain capital improvement, affordable housing and community facilities projects within the City and County of San Francisco (the "City"), as further described herein, and (ii) pay costs of execution and delivery of the 2023A Certificates. The City and County of San Francisco Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt) (the "2023B Certificates," and, together with the 2023A Certificates, the "Certificates") will be sold to provide funds to: (i) finance and refinance certain capital improvement projects within the City, as further described herein, including through the retirement of certain commercial paper notes of the City issued for such purpose, and (ii) pay costs of execution and delivery of the 2023B Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The 2023A Certificates and the 2023B Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and to be supplemented and amended by the Sixth Supplement to Trust Agreement, to be dated as of November 1, 2023 and relating to the 2023A Certificates and the Seventh Supplement to Trust Agreement, to be dated as of November 1, 2023 and relating to the 2023B Certificates (as supplemented and amended, the "Trust Agreement"), respectively, by and between the City and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association (in such capacity, the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The 2023A Certificates and the 2023B Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease, dated as of May 1, 2009, as previously supplemented and amended and to be supplemented and amended by that certain Sixth Supplement to Project Lease, to be dated as of November 1, 2023 and relating to the 2023A Certificates, and the Seventh Supplement to Project Lease, to be dated as of November 1, 2023 and relating to the 2023B Certificates (as so supplemented and amended, the "Project Lease"), by and between the 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 SOURCE 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 site and facilities subject to the Project Lease (as further described herein, 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 "CERTAIN RISK FACTORS – Abatement." The Leased Property will generally consist of the site and facilities of (i) certain portions of the City's Laguna Honda Hospital and (ii) the San Bruno Complex, each as further described herein. See "THE LEASED PROPERTY" herein.

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 with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year, commencing April 1, 2024. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

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

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE 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."

The Certificates were sold by competitive bid on October 17, 2023 pursuant to Official Notices of Sale, each dated October 6, 2023. See "SALE OF THE CERTIFICATES" herein.

MATURITY SCHEDULE
(See inside cover)

The Certificates are offered when, as and if executed and received by the purchasers of the Certificates, subject to the approval of the validity of the Project Lease by Squire Patton Boggs (US) LLP, San Francisco, California and Husch Blackwell LLP, Oakland, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about November 7, 2023.

Dated: October 17, 2023.

$103,410,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2023A
(AFFORDABLE HOUSING AND COMMUNITY FACILITIES PROJECTS)
(FEDERALLY TAXABLE)

MATURITY SCHEDULE

(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (October 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix
2024	$2,740,000	6.000%	5.750%	5Q9
2025	2,910,000	6.000	5.650	5R7
2026	3,090,000	6.000	5.550	5S5
2027	3,280,000	6.000	5.500	5T3
2028	3,485,000	6.000	5.550	5U0
2029	3,700,000	6.000	5.700	5V8
2030	3,930,000	6.000	5.750	5W6
2031	4,170,000	6.000	5.800	5X4
2032	4,430,000	6.000	5.850[(c)]	5Y2
2033	4,705,000	6.000	5.875[(c)]	5Z9
2034	4,995,000	6.000	5.950[(c)]	6A3
2035	5,305,000	6.000	6.050	6B1
2036	5,635,000	6.125	6.150	6C9
2037	5,990,000	6.125	6.200	6D7
2038	6,370,000	6.125	6.250	6E5

$38,675,000 6.375% Term Certificates due October 1, 2043; Yield[2]: 6.410%; CUSIP[1] Number: 79765D 6K1

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2 Reoffering yields furnished by the purchaser of the 2023A Certificates. The City takes no responsibility for the accuracy thereof.

(c) Yield to call date of October 1, 2031 at par.

$80,040,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2023B
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
(TAX-EXEMPT)

MATURITY SCHEDULE

(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (October 1)	Principal Amount	Interest Rate	Yield/Price[2]	CUSIP[1] Suffix
2024	$2,445,000	5.000%	3.640%	6L9
2025	2,570,000	5.000	3.560	6M7
2026	2,700,000	5.000	3.420	6N5
2027	2,840,000	5.000	3.380	6P0
2028	2,985,000	5.000	3.340	6Q8
2029	3,140,000	5.000	3.360	6R6
2030	3,300,000	5.000	3.340	6S4
2031	3,470,000	5.000	3.360	6T2
2032	3,645,000	5.000	3.420[(c)]	6U9
2033	3,835,000	5.000	3.430[(c)]	6V7
2034	4,030,000	5.000	3.500[(c)]	6W5
2035	4,215,000	4.000	100.000	6X3
2036	4,390,000	4.000	4.120	6Y1
2037	4,570,000	4.125	4.230	6Z8
2038	4,765,000	4.125	4.330	7A2
2039	4,965,000	4.250	4.400	7B0
2040	5,180,000	4.375	4.460	7C8
2041	5,415,000	4.375	4.550	7D6

$11,580,000 4.500% Term Certificates due October 1, 2043; Yield[2]: 4.650%; CUSIP[1] Number: 79765D 7F1

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2 Reoffering prices/yields furnished by the purchaser of the 2023B Certificates. The City takes no responsibility for the accuracy thereof.

(c) Yield to call date of October 1, 2031 at par.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations 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.

This Official Statement is not to be construed as a contract with the purchaser or 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 fact.

The information set forth herein, other than that provided by the City, has been obtained from sources that are believed to be reliable, but 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.

This Official Statement is submitted in connection with the execution and sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Certificates, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Certificates at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The underwriters may offer and sell the Certificates to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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.

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

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Aaron Peskin, *Board President, District 3*

Connie Chan, *District 1*
Catherine Stefani, *District 2*
Joel Engardio, *District 4*
Dean Preston, *District 5*
Matt Dorsey, *District 6*

Myrna Melgar, *District 7*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

David Chiu

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Carmen Chu, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Co-Special Counsel

Squire Patton Boggs (US) LLP
San Francisco, California

Husch Blackwell LLP
Oakland, California

Co-Municipal Advisors

KNN Public Finance, LLC
Berkeley, California

NHA Advisors, LLC
San Rafael, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth,
A Professional Corporation
Newport Beach, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

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(FEDERALLY TAXABLE)

$80,040,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2023B
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
(TAX-EXEMPT)

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 City and County of San Francisco Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable) (the "2023A Certificates") and its City and County of San Francisco Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt) (the "2023B Certificates," and together with the 2023A 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 – Definitions." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

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

Overview of the Transaction. The City, exercising its Charter powers to convey and lease property for City purposes, has conveyed the Leased Property (as defined hereafter) to U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association (in such capacity, the "Trustee") under the Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and to be supplemented and amended by that certain Sixth Supplement to Property Lease, to be dated as of November 1, 2023 and relating to the 2023A Certificates (the "Sixth Supplement to Property Lease") and the Seventh Supplement to Property Lease, to be dated as of November 1, 2023 and relating to the 2023B Certificates (the "Seventh Supplement to Property Lease") (as so supplemented and amended, the "Property Lease"), at a nominal annual rent. The Trustee has leased the Leased Property back to the City for the City's use under the Project Lease (the "Original Project Lease"), dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and to be supplemented and amended by that certain Sixth Supplement to Project Lease, to be dated as of November 1, 2023 and relating to the 2023A Certificates (the "Sixth Supplement to Project Lease") and the Seventh Supplement to Project Lease, to be dated as of November 1, 2023 and relating to the 2023B Certificates (the "Seventh Supplement to Project Lease") (as so supplemented and amended, the "Project Lease").

The Leased Property will generally consist of the site and facilities of (i) certain portions of the City's Laguna Honda Hospital (including the South Residence building, the North Residence building and the Pavilion building) and (ii) the San Bruno Complex, each as further described herein. See "THE LEASED PROPERTY." The City will be obligated under the Project Lease to pay Base Rental payments and other payments to the 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 will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of the Base Rental payments it will receive from the City. The Trustee will apply the Base Rental payments it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement (the "Original Trust Agreement"), dated as of May 1, 2009, by and between the City and the Trustee, as previously supplemented and amended and to be supplemented and amended by that certain Sixth Supplement to Trust Agreement, to be dated as of November 1, 2023 and relating to the 2023A Certificates (the "Sixth Supplement to Trust Agreement") and the Seventh Supplement to Trust Agreement, to be dated as of November 1, 2023 and relating to the 2023B Certificates (the "Seventh Supplement to Trust Agreement") (as so supplemented and amended, the "Trust Agreement"), which governs the security and terms of payment of the Certificates.

The money received from the sale of the 2023A Certificates will be applied by the Trustee, at the City's direction, to (i) finance and refinance certain capital improvement, affordable housing and community facilities projects within the City, as further described herein, and (ii) pay costs of execution and delivery of the 2023A Certificates. The money received from the sale of the 2023B Certificates will be applied by the Trustee, at the City's direction, to (i) finance and refinance certain capital improvement projects within the City, as further described herein, including through the retirement of certain commercial paper notes of the City issued for such purpose, and (ii) pay costs of execution and delivery of the 2023B Certificates and the prepayment of the Prepaid Certificates. See "PLAN OF FINANCE" herein.

The Certificates will be delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with certain outstanding certificates of participation of the City (as further described herein, the "Prior Parity Certificates"). As of the date hereof, the Prior Parity Certificates consist of the following certificates of participation of the City: (i) all of the $42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) (the "2012A Certificates"), currently outstanding in the aggregate principal amount of $27,815,000, (ii) all of the $116,460,000 City and County of San Francisco Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the "2019-R1 Certificates"), currently outstanding in the aggregate principal amount of $84,870,000, (iii) all of the $70,640,000 City and County of San Francisco Refunding Certificates of Participation Series 2020-R1 (Multiple Capital Improvement Projects) (the "2020-R1 Certificates"), currently outstanding in the aggregate principal amount of $57,935,000, and (iv) all of the $76,020,000 City and County of San Francisco Certificates of Participation Series 2021A (Multiple Capital Improvement Projects) (the "2021A Certificates"), currently outstanding in the aggregate principal amount of $73,440,000. See "PLAN OF FINANCE" and "CERTIFICATE PAYMENT SCHEDULE" herein.

As of the date hereof, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City. Under these existing authorizations, $1,100,265,000 remains unissued as of September 15, 2023 (which amount includes the authorizations for the Certificates and $275,000,000 in aggregate principal amount of refunding certificates of participation). See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Parity Obligations" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Board Authorized and Unissued Long-Term Certificates of Participation" for additional information on these authorizations. The City may decide not to execute and deliver the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

Guide to this Official Statement. The Project and the Leased Property are described herein in the section "THE LEASED PROPERTY." The application of the proceeds of sale of the Certificates is described in the sections "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE

CERTIFICATES," "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and its governance is provided in APPENDIX A. The City's most recent annual comprehensive financial report appears in APPENDIX B. A summary of the Project Lease, the Property Lease, and the Trust Agreement are provided in APPENDIX C.

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

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, the Ordinances (as defined herein) providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the "State"), the City's Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 338, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites and other materials 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, therefore, such materials are not incorporated herein by such references and are not deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

General. 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 Napa-Sonoma wine country is about an hour's drive to the north. The California Department of Finance estimates the City's population as of January 1, 2023 was 831,703.

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 technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, healthcare and higher education. The California State Supreme Court is also based in San Francisco.

The COVID-19 pandemic resulted in general negative effects on the City's economy which materially adversely impacted the City's revenues and increased expenses due to public health responses. During the COVID-19 pandemic, revenue decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its "other local taxes," which includes hotel and sales taxes. While COVID-19 case rates have significantly declined, vaccination rates have increased, emergency orders have been lifted, and the national and local economy has been improving, the resulting impact on the City's local economy, finances and operations remains unknown. The projections and other forward-looking statements in this Official Statement are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. See

"CERTAIN RISK FACTORS – Public Health Emergencies" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges" herein.

The City has historically been a major convention and tourist destination. However, the COVID-19 pandemic significantly adversely impacted, and may continue to adversely impact, tourism and convention activities in the City.

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2021-22 was $170,483. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 73 elementary schools, 13 middle schools, 17 high schools, 47 early education schools, and 3 County and Court 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 UC College of the Law, San Francisco (formerly 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 San Francisco Conservatory of Music, 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, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. The COVID-19 pandemic significantly adversely impacted tourism and travel in the San Francisco Bay Area. To date, passenger levels have recovered, though they have not yet reached pre-pandemic levels. In fiscal year 2022-23, enplanements were approximately 81.8% of enplanements in fiscal year 2018-19 (prior to the COVID-19 pandemic). The City is also served by the Bay Area Rapid Transit District ("BART," an 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 ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City (investors should note that since fiscal year 2019-20, telecommuting resulting from emergency stay-at-home orders caused ridership into and within the City to decline significantly compared to pre-pandemic levels (see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Commuting Pattern Changes")). 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.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's Original Budget (as defined in APPENDIX A) for fiscal years 2023-24 and 2024-25 totals $14.6 billion and $14.5 billion, respectively. The General Fund portion of each year's proposed budget is $6.8 billion in fiscal year 2023-24 and $7.0 billion in fiscal year 2024-25, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). According to the Controller of the City (the "Controller"), at the start of fiscal year 2023-24, total net assessed valuation of taxable property in the City was approximately $343.9 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: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

THE CERTIFICATES

Authority for Execution and Delivery

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

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 351-08, adopted on July 29, 2008 and signed by the Mayor on August 5, 2008. The Sixth Supplement to Trust Agreement, the Sixth Supplement to Property Lease and the Sixth Supplement to Project Lease relating to the 2023A Certificates were approved by the Board of Supervisors of the City by its Ordinance No. 102-23, adopted on May 23, 2023 and signed by the Mayor on June 2, 2023 (the "Affordable Housing Ordinance"). The Affordable Housing Ordinance authorized the execution and delivery of up to $146,800,000 aggregate principal amount of Additional Certificates under the Trust Agreement, including the 2023A Certificates. The Seventh Supplement to Trust Agreement, the Seventh Supplement to Property Lease and the Seventh Supplement to Project Lease relating to the 2023B Certificates were approved by the Board of Supervisors of the City by its Ordinance Nos. 123-21 and 183-22, adopted on July 27, 2021 and July 26, 2022, respectively, and signed by the Mayor on August 4, 2021 and August 4, 2022, respectively (the "MCIP Ordinances," and together with the Affordable Housing Ordinance, the "Ordinances"). The MCIP Ordinances authorized the execution and delivery of up to $207,500,000 aggregate principal amount of Additional Certificates under the Trust Agreement, including the 2023B Certificates. 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, because the Trustee is neither a public agency nor a nonprofit corporation. The City has obtained a judgment in the Superior Court for the City and County of San Francisco validating the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. No judicial validation action has been pursued or is expected to be pursued with respect to the validity of the Sixth Supplement to Project Lease, the Sixth Supplement to Property Lease, the Sixth Supplement to Trust Agreement, the Seventh Supplement to Project Lease, the Seventh Supplement to Property Lease, or the Seventh Supplement to Trust Agreement. See "VALIDATION ACTION" herein.

Payment of Principal and Interest

The principal evidenced and represented by the Certificates will be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental payments designated as principal components coming due on each April 1 of each such year. Payment of the principal and premium, if any, of the Certificates upon prepayment or on 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 will be payable on April 1 and October 1 of each year, commencing on April 1, 2024 (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental payments designated as interest components coming due on or prior to each of such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest

Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payments of interest represented by the Certificates 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; provided, however, that payments of defaulted interest will be payable to the person in whose name such Certificate is registered at the close of business on a special record date fixed therefor by the Trustee, which will not be more than 15 days and not less than 10 days prior to the date of the proposed payment of defaulted interest.

Form and Registration

The Certificates will be executed and delivered in the aggregate principal amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment of the Certificates

Optional Prepayment

The 2023A Certificates with a Certificate Payment Date on or before October 1, 2031 will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 2023A Certificates with a Certificate Payment Date on or after October 1, 2032 are subject to prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after October 1, 2031, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a prepayment price equal to 100% of the principal amount represented by the 2023A Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

The 2023B Certificates with a Certificate Payment Date on or before October 1, 2031 will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 2023B Certificates with a Certificate Payment Date on or after October 1, 2032 are subject to prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after October 1, 2031, at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a prepayment price equal to 100% of the principal amount represented by the 2023B Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment

The Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, in 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 Base Rental Fund pursuant to the Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Certificates.

Mandatory Sinking Account Installment Prepayment

The 2023A Certificates with a Certificate Payment Date of October 1, 2043 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 October 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (October 1)	Sinking Account Installment Amount
2039	$6,780,000
2040	7,230,000
2041	7,705,000
2042	8,210,000
2043†	8,750,000

† Certificate Payment Date.

The 2023B Certificates with a Certificate Payment Date of October 1, 2043 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 October 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (October 1)	Sinking Account Installment Amount
2042	$5,660,000
2043†	5,920,000

† Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all of the Outstanding Certificates are to be prepaid, the City will direct the principal amount of the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner that 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 only system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment will specify: (i) the Certificates 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 issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto will cease to accrue and be payable. Neither failure to receive any notice nor any defect therein will affect the sufficiency of the proceedings for such prepayment.

Conditional Notice of Prepayment; 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, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, 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. 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, the City will continue to pay the Base Rental payments as if no such notice had been 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 shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement as described in this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay such 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.

PLAN OF FINANCE

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with all of the currently outstanding Prior Parity Certificates.

The City plans to use the proceeds of the 2023A Certificates to finance and refinance certain capital improvement, affordable housing and community facilities development projects within the City, including site acquisition, demolition and site preparation, design work, construction, repairs, renovations, improvements and the equipment of such facilities (collectively, the "2023A Projects").

The City plans to use the proceeds of the 2023B Certificates to finance and refinance, including through the retirement of certain commercial paper notes of the City issued for these purposes, certain capital improvement projects within the City, including but not limited to certain projects within the City's capital plan, generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets and works utilized by various City departments, and local economic stimulus projects, generally consisting of repairs, renovations, improvements and street reconstruction, repaving and other improvements designed to help build a more resilient and equitable San Francisco as part of the City's recovery from the COVID-19 pandemic (collectively, the "2023B Projects," and together with the 2023A Projects, the "Projects").

THE LEASED PROPERTY

Upon the execution of the Sixth Supplement to Property Lease, the Sixth Supplement to Project Lease, the Seventh Supplement to Property Lease and the Seventh Supplement to Project Lease, the Leased Property will generally consist of the site and facilities of: (i) the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building on the campus of Laguna Honda Hospital, together with certain limited rights of ingress and egress and appurtenant rights (collectively, the "Laguna Honda Hospital Portion" of the Leased Property), and (ii) that certain jail facility of the City located in San Bruno, California (the "San Bruno Complex").

Laguna Honda Hospital Portion. Laguna Honda Hospital was established in 1866 as an almshouse for the City's poor and homeless. Laguna Honda Hospital is currently located at 375 Laguna Honda Boulevard in the City, and is operated by the City's Department of Public Health. In 2009, the City completed its Laguna Honda Hospital Replacement Program which included the construction of the Pavilion building, the North Residence building and the South Residence building. Together, these three buildings provide up to 660 patients with long-term care regardless of their ability to pay, including skilled nursing, AIDS-related services, dementia services, hospice, rehabilitation and acute care. The City also provides adult day health care and senior nutrition programs through these facilities. The 62-acre Laguna Honda Hospital site is on property owned by the City and located on the western slopes of Twin Peaks, near the geographic center of the City, and the Laguna Honda Hospital Portion of the Leased Property represents only a portion of such site.

The Pavilion building is a 148,039-square foot, four-story building, housing offices, clinics and the mezzanine and space for other associated support activities of Laguna Honda Hospital. The Pavilion building is designed to accommodate 60 beds on one of its floors. The North Residence building is a 208,377-square foot, six-story building serving as hospital facilities. The North Residence building is designed to accommodate 420 beds on six floors. The South Residence building is a 156,993-square foot, six-story building serving as hospital facilities. The South Residence building is designed to accommodate 300 beds on five of its floors.

In March 2022, the City received notice from the Centers for Medicare and Medicaid Services ("CMS"), an agency within the federal Department of Health & Human Services, that CMS was terminating its contract with the City for Medicare and Medicaid reimbursements for patients at Laguna Honda Hospital. The City sought to challenge the termination of this contract through various administrative proceedings and lawsuits. In May 2023, the City, CMS, and the California Department of Public Health ("CDPH") reached an agreement in principle to settle ongoing administrative proceedings and federal court litigation. In August 2023, the CDPH and the State's Department of Health Care Services approved Laguna Honda Hospital's recertification for Medicaid, which would allow Laguna Honda Hospital to continue to receive Medicaid payments to provide health care coverage to low-income people. See "CERTAIN RISK FACTORS – Abatement" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Hospital Potential Loss of Federal Funding."

San Bruno Complex. The San Bruno Complex sits on 158 acres of land located at 1 Moreland Drive, San Bruno, California. The San Bruno Complex is the City's newest and largest jail facility constructed as a replacement facility for the then-existing jail on the site, and was completed in 2005. The 768-bed facility consists of 283,257 square feet, including a guard tower, an administrative services area, an attorney visiting area, staff exercise areas and locker rooms, a maintenance area and central plant, and a kitchen and laundry facility sufficient to accommodate both jail facilities.

Certain information regarding the Leased Property is summarized below.

Summary of Certain Information Regarding the Leased Property

Facility	Address	Completion Date of Improvements	Gross Square Feet (Building)	Estimated Value[(2)]
Laguna Honda Hospital[(1)]	375 Laguna Honda Blvd., San Francisco, CA	2009	513,409	$800,000,000[(3)]
San Bruno Complex	1 Moreland Drive, San Bruno, CA	2005	295,277	$208,000,000[(4)]
Total				$1,008,000,000

(1) Includes the North Residence, South Residence, and the Pavilion Building.

(2) Such estimated values do not necessarily reflect the fair market value, or the actual sales price upon a sale or actual rent upon commercial leasing of the Leased Property. Given the size and unique nature of each of the components of the Leased Property, comparable sales were not available to estimate value. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES" herein.

(3) Based on the City's estimated valuation as of September 23, 2019 using a cost/replacement and income approach.

(4) Based on the City's estimated valuation as of September 25, 2023 using a cost/replacement approach.

Source: City and County of San Francisco.

The City may designate additional property as Leased Property, or substitute other improved real property for all or part of the Leased Property, under the conditions set forth in the Project Lease. There is no requirement that any substitute property be of the same or a similar nature or function as the then existing Leased Property, and there is no requirement that any substitute property have a market value or fair rental value as great as the then existing Leased Property or such portion thereof that is sought to be released from the Project Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES –

Substitution, Release, and Addition of Leased Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

The lease term with respect to the Leased Property or a designated portion thereof will end on October 1, 2043, unless such term is extended or sooner terminated as provided in the Project Lease.

ESTIMATED SOURCES AND USES OF FUNDS

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

	2023A Certificates	2023B Certificates	Total
Sources of Funds:			
Par Amount	$103,410,000.00	$80,040,000.00	$183,450,000.00
Net Original Issue Premium	128,825.55	2,139,042.65	2,267,868.20
Less: Purchaser's Discount	(775,575.00)	(270,988.87)	(1,046,563.87)
Total Sources	**$102,763,250.55**	**$81,908,053.78**	**$184,671,304.33**
Uses of Funds:			
Repayment of Commercial Paper	-	$4,893,603.29	$4,893,603.29
Deposit to Project Accounts(1)(2)	$102,204,000.00	76,030,544.87	178,234,544.87
Capitalized Interest(3)	-	551,947.50	551,947.50
Costs of Delivery(4)	559,250.55	431,958.12	991,208.67
Total Uses	**$102,763,250.55**	**$81,908,053.78**	**$184,671,304.33**

(1) Of the amount deposited in the Project Accounts, $204,000.00 of the proceeds of the 2023A Certificates and $160,691.40 of the proceeds of the 2023B Certificates (which total represents 0.2% of the Project Accounts for project costs) will be used to pay the Controller's City Services Auditor fee.

(2) $45,970,544.87 of the proceeds of the 2023B Certificates will be deposited into the 2023B MCIP Project Account, to be applied to the non-streets capital improvement projects component of the 2023B Projects. $30,060,000.00 of the proceeds of the 2023B Certificates will be deposited into the 2023B Streets Project Account, to be applied to the street projects component of the 2023B Projects.

(3) Represents capitalized interest on a portion of the 2023B Certificates through April 1, 2024.

(4) Includes amounts for administrative costs to the City for the issuance of the Certificates, legal fees, Trustee's fees and expenses, municipal advisory fees, rating agency fees, appraisals and property condition report fees, title insurance fees, printing costs and any other delivery costs, and rounding amounts.

CERTIFICATE PAYMENT SCHEDULE

The Trust Agreement requires that Base Rental payments payable by the City pursuant to the Project Lease on each March 25 and September 25 be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply amounts in the Base Rental Fund as necessary, on April 1 and October 1 of each year, commencing on April 1, 2024, to make interest payments or principal and interest payments, as applicable, with respect to the Certificates as the same become due and payable, as shown in the table below.

The Prior Parity Certificates are currently outstanding and payable from Base Rental payments required to be made with respect to the Leased Property under the Project Lease. The following table shows total annual Base Rental payments due with respect to the Certificates and the Prior Parity Certificates secured by Base Rental payments under the Project Lease:

	2023A Certificates			2023B Certificates				
Payment Date	**Principal**	**Interest**	**Total[(1)]**	**Principal**	**Interest**	**Total[(1)]**	**Prior Parity Certificates[2]**	**Total Fiscal Year Annual Debt Service[(1)]**
10/1/2023							$9,879,944	
4/1/2024		$2,548,850	$2,548,850		$1,469,165	$1,469,165	17,463,694	$31,361,653
10/1/2024	$2,740,000	3,186,063	5,926,063	$2,445,000	1,836,456	4,281,456	9,283,419	
4/1/2025		3,103,863	3,103,863		1,775,331	1,775,331	17,641,419	42,011,550
10/1/2025	2,910,000	3,103,863	6,013,863	2,570,000	1,775,331	4,345,331	9,095,244	
4/1/2026		3,016,563	3,016,563		1,711,081	1,711,081	17,827,244	42,009,325
10/1/2026	3,090,000	3,016,563	6,106,563	2,700,000	1,711,081	4,411,081	8,891,994	
4/1/2027		2,923,863	2,923,863		1,643,581	1,643,581	18,012,619	41,989,700
10/1/2027	3,280,000	2,923,863	6,203,863	2,840,000	1,643,581	4,483,581	8,680,894	
4/1/2028		2,825,463	2,825,463		1,572,581	1,572,581	18,245,019	42,011,400
10/1/2028	3,485,000	2,825,463	6,310,463	2,985,000	1,572,581	4,557,581	8,501,069	
4/1/2029		2,720,913	2,720,913		1,497,956	1,497,956	18,393,069	41,981,050
10/1/2029	3,700,000	2,720,913	6,420,913	3,140,000	1,497,956	4,637,956	8,326,894	
4/1/2030		2,609,913	2,609,913		1,419,456	1,419,456	18,542,294	41,957,425
10/1/2030	3,930,000	2,609,913	6,539,913	3,300,000	1,419,456	4,719,456	8,166,056	
4/1/2031		2,492,013	2,492,013		1,336,956	1,336,956	18,716,556	41,970,950
10/1/2031	4,170,000	2,492,013	6,662,013	3,470,000	1,336,956	4,806,956	7,972,156	
4/1/2032		2,366,913	2,366,913		1,250,206	1,250,206	9,645,406	32,703,650
10/1/2032	4,430,000	2,366,913	6,796,913	3,645,000	1,250,206	4,895,206	7,889,569	
4/1/2033		2,234,013	2,234,013		1,159,081	1,159,081	9,728,469	32,703,250
10/1/2033	4,705,000	2,234,013	6,939,013	3,835,000	1,159,081	4,994,081	7,800,888	
4/1/2034		2,092,863	2,092,863		1,063,206	1,063,206	9,813,488	32,703,538
10/1/2034	4,995,000	2,092,863	7,087,863	4,030,000	1,063,206	5,093,206	835,200	
4/1/2035		1,943,013	1,943,013		962,456	962,456	9,980,200	25,901,938
10/1/2035	5,305,000	1,943,013	7,248,013	4,215,000	962,456	5,177,456	668,200	
4/1/2036		1,783,863	1,783,863		878,156	878,156	7,973,200	23,728,888
10/1/2036	5,635,000	1,783,863	7,418,863	4,390,000	878,156	5,268,156	522,100	
4/1/2037		1,611,291	1,611,291		790,356	790,356	5,342,100	20,952,866
10/1/2037	5,990,000	1,611,291	7,601,291	4,570,000	790,356	5,360,356	425,700	
4/1/2038		1,427,847	1,427,847		696,100	696,100	5,435,700	20,946,994
10/1/2038	6,370,000	1,427,847	7,797,847	4,765,000	696,100	5,461,100	325,500	
4/1/2039		1,232,766	1,232,766		597,822	597,822	5,540,500	20,955,534
10/1/2039	6,780,000	1,232,766	8,012,766	4,965,000	597,822	5,562,822	221,200	
4/1/2040		1,016,653	1,016,653		492,316	492,316	5,641,200	20,946,956
10/1/2040	7,230,000	1,016,653	8,246,653	5,180,000	492,316	5,672,316	112,800	
4/1/2041		786,197	786,197		379,003	379,003	5,752,800	20,949,769
10/1/2041	7,705,000	786,197	8,491,197	5,415,000	379,003	5,794,003		
4/1/2042		540,600	540,600		260,550	260,550		15,086,350
10/1/2042	8,210,000	540,600	8,750,600	5,660,000	260,550	5,920,550		
4/1/2043		278,906	278,906		133,200	133,200		15,083,256
10/1/2043	8,750,000	278,906	9,028,906	5,920,000	133,200	6,053,200		
4/1/2044								15,082,106
Total[(1)]	$103,410,000	$79,749,931	$183,159,931	$80,040,000	$42,544,415	$122,584,415	$317,293,800	$623,038,147

[1] Totals may not sum due to rounding.
[2] Includes debt service on the 2012A Certificates, the 2019-R1 Certificates, the 2020-R1 Certificates and the 2021A Certificates.

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates of each Series will evidence and represent 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 has a final termination date of October 1, 2043, or upon early payment of all of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates, unless extended upon an event of abatement. See "– Abatement of Base Rental Payments" below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, its rights with respect to and its interest in and to all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund pursuant to the Trust Agreement and, provided, however, that the 2023A Project Account shall secure only the 2023A Certificates and the 2023B Project Accounts shall secure only the 2023B Certificates), including all Base Rental payments received by the Trustee from the City pursuant to the Project Lease, and any additional property that may from time to time be subjected to the lien of the Trust Agreement by the City or anyone on its behalf, subject only to the provisions of the Trust Agreement, the Property Lease and the Project Lease. 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 scheduled principal and interest represented by the Certificates.

Parity Obligations

The Certificates of each Series are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with the Prior Parity Certificates described under "INTRODUCTION" and "CERTIFICATE PAYMENT SCHEDULE," and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement and the Project Lease. The Prior Parity Certificates are currently outstanding in the aggregate principal amount of $244,060,000.

As of the date hereof, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City. Under these existing authorizations, $1,100,265,000 remains unissued as of September 15, 2023 (which amount includes the authorizations for the Certificates and $275,000,000 in aggregate principal amount of refunding certificates of participation). See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Board Authorized and Unissued Long-Term Certificates of Participation" for additional information on these authorizations. Any Additional Certificates to be issued under these authorizations will be secured by Base Rental payments relating to the Leased Property on a parity basis with the Certificates and the Prior Parity Certificates.

The City may decide not to execute and deliver the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

Further, the City is currently evaluating the refunding economics of various outstanding certificates of participation of the City. Depending on market conditions, the City may or may not decide to execute and deliver refunding certificates of participation (which may be Additional Certificates) to prepay certain outstanding obligations of the City, including certain Prior Parity Certificates. See "– Additional Certificates" below in this section.

The City may designate additional property as Leased Property, or substitute other improved real property for all or part of the Leased Property, under the conditions set forth in the Project Lease. See "THE LEASED PROPERTY" and "– Substitution, Release, and Addition of Leased Property" herein.

Covenant to Budget and Right to Re-let

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 breaches its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and the City fails to remedy such breach with all reasonable dispatch within 60 days after written notice from the Trustee, or if such breach cannot be remedied within such 60-day period, the City fails to institute corrective action within such 60 day period and diligently pursue such action to completion, the Trustee may either re-let the Leased Property for the account of the City or may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis. Notwithstanding any other provision of the Project Lease or the Trust Agreement, in no event will the Trustee have any right to accelerate the payment of any Base Rental under the Project Lease, and the remedy to re-let the Leased Property is subject to applicable laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. See "CERTAIN RISK FACTORS – Limited Recourse on Default; Re-letting of the Leased Property."

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget" and APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2022." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

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

Base Rental Payments; Additional Rental

Base Rental Payments. The City agrees in the Project Lease that 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. The Project Lease provides that 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, and without abatement, subject only to the provisions of the Project Lease regarding rental abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Project Lease, commencing with respect to the Certificates on March 25, 2024, 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 or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City. 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 and Right to Re-let" above.

Additional Rental. Additional Rental payments due from the City to the Trustee under the Project Lease include, among other things, all taxes and insurance premiums, all fees, costs and expenses of the Trustee in connection with the Trust Agreement not otherwise paid or provided for out of the proceeds of the sale of the Certificates, deposits required to be made to the Rebate Fund, if any, all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement, and amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

Abatement of Base Rental Payments

Rental Payments will be subject to abatement 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 any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the 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, excluding amounts described in clauses (i), (ii) and (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. Abatement will commence with such damage, destruction, condemnation or discovery of such title defect and end with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect, as applicable. 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 October 1, 2053. See "CERTAIN RISK FACTORS – Abatement."

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

No Reserve Account for the Certificates

The City will not establish a reserve account for the Certificates.

The City has established a Reserve Account for the 2012A Certificates (the "2012A Reserve Account") and the 2021A Certificates (the "2021A Reserve Account"). Amounts in the 2012A Reserve Account and the 2021A Reserve Account are not available for the payment of Base Rental payments due with respect to the Certificates. The Trust Agreement allows a Reserve Account to be established for Additional Certificates. See "– Additional Certificates" below.

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 or taken by eminent domain, the City must elect to either prepay the Certificates and the other certificates of participation executed and delivered under the Trust Agreement or replace or repair the affected portion of the Leased Property in accordance with the Project Lease, provided, however, that the City's obligation to repair or replace any portion of the Leased Property pursuant to the Project Lease will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of 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 of participation executed and delivered under the Trust Agreement, including the Certificates, insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all Outstanding certificates of participation executed and delivered under the Trust Agreement, including the Certificates, and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates and other certificates of participation executed and delivered under the Trust Agreement such that the resulting 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 of participation to remain Outstanding under the Trust Agreement, including the Certificates, 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 – The 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: (i) general liability insurance against damages occasioned by reason of the 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 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 of participation executed and delivered under the Trust Agreement, including the Certificates (to the extent commercially available), 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) to the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates; 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 cost on the open market from reputable insurance companies; (iv) 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 (v) rental interruption insurance 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 may 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 described in (ii) and (iii) 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 not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease except as provided above, and the City does not currently have earthquake or flood insurance on the Leased Property or any portion thereof.

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 may self-insure for all exposures for which the Project Lease permits self-insurance.

Eminent Domain

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, is taken under the power of eminent domain, the Project Lease will terminate as of the later of the day possession is 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 will again begin to accrue with respect thereto upon replacement of the Leased Property. 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 the rental abatement provisions of the Project Lease.

The City will, 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, and other certificates of participation issued pursuant to the Trust Agreement and then Outstanding, will be prepaid in part. The proceedings of any condemnation award will as soon as possible be deposited with the Trustee and, to the extent necessary, will be applied to prepay Certificates and such other Outstanding certificates of participation or applied to the cost of replacement of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Trust Agreement – Eminent Domain" and "– The Project Lease – Eminent Domain."

Substitution, Release, and Addition of Leased Property

If no 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, upon satisfaction of the conditions to such amendment and substitution in the Project Lease. See "THE LEASED PROPERTY" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

Additional Certificates

As described in "– Parity Obligations" above, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance or refinance various projects of the City. As of September 15, 2023, $1,100,265,000 remains unissued under these authorizations (which amount includes the authorizations for the Certificates and $275,000,000 in aggregate principal amount of refunding certificates of participation). The City may decide not to execute and deliver the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

The City is currently evaluating the refunding economics of various outstanding certificates of participation of the City. Depending on market conditions, the City may decide to execute and deliver refunding certificates of participation (which may be Additional Certificates) to prepay certain outstanding obligations of the City, including certain Prior Parity Certificates. The City may decide not to execute and deliver such refunding certificates of participation.

In addition, 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 basis with the Outstanding Certificates and Prior Parity Certificates, provided that, among other requirements, the Base Rental payable under the Project Lease, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates, the Outstanding Prior Parity Certificates and such Additional Certificates, and that the Base Rental thereunder is not in excess of the fair rental value of the Leased Property in each Project Lease Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Rental Payments." The City may designate additional property as Leased Property, or substitute other improved real property for all or part of the Leased Property, under the conditions set forth in the Project Lease. See "THE LEASED PROPERTY" 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 Base Rental or Additional Rental payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has

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

The Certificates will represent and will be payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Base Rental Fund to be 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 for other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

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. Under certain circumstances, the City's obligation to make Base Rental payments and Additional 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 any portion thereof. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

Under the Project Lease, 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 October 1, 2053. Proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCE 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.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. 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. If the latter, 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, and any available insurance proceeds, are insufficient to make all payments with respect to 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 of, premium, if any, or interest with respect to 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 with respect to the Certificates.

In March 2022, the City received notice from the CMS that CMS was terminating its contract with the City for Medicare and Medicaid reimbursements for patients at Laguna Honda Hospital. The City sought to challenge the termination of this contract through various administrative proceedings and lawsuits. In May 2023, the City, CMS, and the CDPH reached an agreement in principle to settle ongoing administrative proceedings and federal court litigation. In August 2023, the CDPH and the State's Department of Health Care Services approved Laguna Honda Hospital's recertification for Medicaid, which would allow Laguna Honda Hospital to continue to receive Medicaid payments to provide health care coverage to low-income people. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Hospital Potential Loss of Federal Funding."

Any loss of reimbursements from CMS would have had a material adverse impact on Laguna Honda Hospital's finances and operations. However, such loss of reimbursements would not have revoked Laguna Honda Hospital's license from CDPH to operate as a hospital, nor would it have interfered with the City's right to use and occupy Laguna Honda Hospital, including the Laguna Honda Hospital Portion of the Leased Property. As such, the City believes that had CMS terminated its contract with the City, such termination would not have caused the abatement of Base Rental payments as described in this section. See "CERTAIN RISK FACTORS – Abatement" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Hospital Potential Loss of Federal Funding."

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

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may, subject to applicable laws regarding use of such property, take possession of and re-let the Leased Property for the account of the City. The Leased Property is unique and re-letting might prove to be difficult or impossible. The remedy to re-let the Leased Property is subject to applicable laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. Portions of Laguna Honda Hospital have been improved with the proceeds of voter-approved general obligation bonds, and it is unclear whether any re-letting would be permitted to result in use of the Laguna Honda Hospital Portion of the Leased Property that is inconsistent with the public hospital purposes for which those bonds were approved. Further, certain improvements to Laguna Honda Hospital were funded by federal fund grants, which might impact the remedy of re-letting, as further described below. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget and Right to Re-let." The amounts received from any such re-letting may be insufficient to pay the scheduled principal and interest represented by the Certificates when due. In addition, the Trust Agreement provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the 2023B 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 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, shall proceed), without any further notice: (i) to re-enter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, or (ii) in lieu of the above, 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 by pursuing any remedy available in law or in equity.

The construction and renovation of Laguna Honda Hospital was financed, in part, by federal grant funds awarded by the U.S. Department of Health and Human Services, pursuant to the Public Health Service Act. As a result of such funding, Laguna Honda Hospital is subject to the recovery provisions of the Public Health Service Act, which may limit the remedy of re-letting the Laguna Honda Hospital Portion of the Leased Property under the Project Lease.

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 "– Bankruptcy" and APPENDIX F: "PROPOSED FORMS OF CO-SPECIAL COUNSEL OPINIONS" herein.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of any Base Rental payments under the Project Lease. 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 – The Project Lease – Addition, Release and Substitution." Although the Project Lease requires that the Leased Property, after such substitution, have an annual fair rental value at least equal to the maximum annual amount of the Base Rental payments becoming due in the then-current Project Lease Year or in any subsequent Project Lease Year, 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 or outside 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.

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 "– 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), as amended (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 Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or 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 such 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.

City Financial Challenges

The following discussion highlights certain challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, "– Seismic Risks" and "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below). While the City had strong economic and financial performance during the recovery from the great recession and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several financial challenges and risks described below. In particular, the City continues to face significant adverse financial and budgetary challenges due to the impact of the COVID-19 pandemic. See "– Public Health Emergencies" below and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges" attached hereto.

The COVID-19 pandemic resulted in general negative effects on the City's economy which materially adversely impacted the City's tax revenues and increased expenses due to public health responses. During the COVID-19 pandemic, revenue decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its "other local taxes," which includes hotel and sales taxes. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges" and "– General Fund Revenues – Property Taxation – Tax Levy and Collection" and "Public Health Emergencies" below.

Further, the City is facing material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospital and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues." Additionally, the City's housing market remains sluggish, with condominium prices falling faster in the City than Statewide. The Original Budget for fiscal years 2023-24 and 2024-25 reflects continuing but slow economic recovery from the COVID-19 pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth approximately $41.4 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $6.7 billion in capital needs, including enhancements, are deferred from the capital plan's 10-year horizon.

In addition, the City faces long-term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken major steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. In recent years, the City and voters have adopted 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. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget."

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see 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, 2022."

Seismic Risks

General. The City is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazards such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance except as described under "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property," and the City does not currently have earthquake or flood insurance on the Leased Property. There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles 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, as well as a number of other significant faults in the region. Significant 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 surrounding areas. 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. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. 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 earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than $82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could 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, infrastructure and residential and business real property values.

Earthquake Safety Implementation Plan (ESIP). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (CAPSS), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. As of October 1, 2023, 92% of the buildings have been brought into compliance. Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City (the "Port Commission") commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as $3 billion, with another $2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately $1.6 billion in Port assets and $2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See "Climate Change, Risk of Sea Level Rise and Flooding Damage" below. See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

Tall Buildings Safety Strategy Report and Executive Directive. The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings taller than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this Statewide program. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – "Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings" was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

The City obtains and maintains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Legal Matters and Risk Management."

SB 1953 Compliance. Senate Bill 1953 ("SB 1953") is an amendment to the 1973 Hospital Facilities Seismic Safety Act ("HFSSA") that requires all acute care hospitals in California, including Laguna Honda Hospital, to comply with certain seismic safety standards within a certain time frame. SB 1953 generally requires that by 2020, all hospital buildings must remain standing during a major earthquake so that patients can be evacuated safely, and by 2030, all hospital buildings must remain standing and functioning during a major earthquake. The City deems the Leased Property consisting of Laguna Honda Hospital compliant with SB 1953. See "THE LEASED PROPERTY" above.

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 ("NCA4"), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities

Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's Seawall from sea level rise, including an initial investment of about $8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over $650 million and long-term upgrades to cost more than $5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Certificates. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. The defendants have appealed the District Court's decision to the Ninth Circuit, which will hear argument on the issue in November. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

In September 2021, the City adopted a set of emissions reduction targets for the coming decades: achieve net-zero greenhouse gas emissions generated by the City by 2040 and reduce emissions associated with consumption of all goods and services in the City (regardless of where emissions originate) 80% by 2050. In December 2021, the Mayor released the City's Climate Action Plan (the "CAP") detailing the actions needed to accomplish these targets, developed through a multi-agency and stakeholder process led by the San Francisco Department of Environment (the "Department of Environment"). The Department of Environment contracted with the UC Berkeley's Center for Law, Energy & the Environment (the "CLEE") to assess options for funding the equitable implementation of the CAP. CLEE released its report entitled "Funding San Francisco Climate Action" in November 2022 (the "CLEE Report").

The CAP is a roadmap of goals, strategies and actions to achieve emission reductions across six sectors: energy supply, building operations, transportation and land use, housing, responsible production and consumption, and healthy ecosystems. Key strategies include, but are not limited to, provision of 100% carbon-free energy, decarbonization of buildings, and increases in the public transit, active transportation, and vehicle electrification networks. The CAP estimates the cost of each of its strategies to range from $1 million to $500 million, but does not include specific cost estimates for each of the individual actions within these strategies. However, independent analyses conclude that significant investments will be required to realize CAP goals. Based on these independent analyses, the CLEE Report presented a rough estimate of CAP costs based on an assumption that the highest-cost strategies have an average high cost of $5 billion (this assumption is purely for scoping purposes and costs could be much higher in the most capital-intensive sectors, like public transit). The CLEE Report estimates that implementing the CAP across its six identified sectors could cost in the aggregate anywhere between a low of $2.291 billion to a high of $21.914 billion to be funded from a variety of sources, including a significant portion by the City.

CAP implementation would require a diverse mix of revenue streams (including the City's General Fund revenues) across several decades to support significant capital investment. In many cases, these build on existing revenue strategies in use by the City – such as the issuance of general obligation bonds and revenue bonds and refuse collection fees that pay for recycling programs – to drive specific emissions-reducing actions. In other cases, CAP implementation will require development of new revenue-generation mechanisms, drawing on the resources of residents and businesses, federal and state governments, and private and philanthropic partners. In addition, the CAP includes a number of policy, regulatory, and planning actions that are key enabling actions that will impose little or no cost to the City, but nonetheless remain high priorities for aggressive emissions reduction. While the City's climate initiative and the implementation of the CAP is a policy goal, the City cannot give any assurance that financial resources will be available in amounts needed to fund all of the initiatives, or whether the City will achieve its policy goals.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City's Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, the SFMTA was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization ("WHO") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 and actions to contain its spread have had significant adverse health and financial impacts throughout the world, including the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges."

While COVID-19 case rates have significantly declined, vaccination rates have increased, certain emergency orders have been lifted, and the national and local economy has been improving, the economic effects of the COVID-19 pandemic are uncertain in many respects. The COVID-19 pandemic has had and may continue to have material adverse impacts on the City's economy and certain aspects of the City's financial condition. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Other Events

Seismic events, wildfires, drought, tsunamis, storms, other natural or man-made events and civil unrest may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's finances and/or ability to provide municipal services.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

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 generation 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. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately $14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting numerous deaths and over $16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 and 2020, parts of the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

In 2020, 2021 and 2022, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted and future wildfires may impact the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

In December 2022 and January 2023, the San Francisco Bay Area experienced heavy winter storms. According to the National Weather Services for the San Francisco Bay Area, on December 31, 2022, downtown San Francisco received 5.45 inches of rain, which is the second wettest day in the area since records began in 1849 (with the daily record being 5.54 inches on November 5, 1994). The rains caused widespread flooding, road closures and mudslides throughout the region.

With certain exceptions, the City believes 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 and maintains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Legal Matters and Risk Management."

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. The City is also required to maintain rental interruption insurance in an amount equal to but not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months, adjusted on or prior to October 1 of each year to reflect scheduled Base Rental payments due for the next succeeding 24 months. 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 with respect to the Certificates when due.

The Project Lease allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all exposures for which the Project Lease permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Legal Matters and Risk Management – Risk Retention Program."

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– Constitutional and Statutory Limitations on Taxes and Expenditures – Article XIIIB of the California Constitution."

Changes in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State or the Charter, respectively, in a manner that could 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 XIIIC and XIIID of the California Constitution."

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

State of California Financial Condition

The City receives a significant portion of its funding from the State. 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 and other counties in the State. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of the State of California Budget on Local Finances."

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, 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. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City's financial condition may also be impacted by the withholding of federal grants or other funds flowing to "sanctuary jurisdictions." The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations and the impact that such budgets will have on the City's finances and operations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Federal Government on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – 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

The 2023A Certificates

In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, Co-Special Counsel, under existing law: (i) interest on the 2023A Certificates is not excluded from gross income for federal income tax purposes; and (ii) interest on the 2023A Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the 2023A Certificates. The legal defeasance of the 2023A Certificates might result in a deemed sale or exchange of the 2023A Certificates under certain circumstances; owners of the 2023A Certificates should consult their tax advisors as to the federal income tax consequences of such an event. Prospective purchasers of the 2023A Certificates should consult their tax advisors as to the federal, state and local, and foreign tax consequences of their acquisition, ownership, and disposition of the 2023A Certificates.

The following discussion is generally limited to "U.S. owners," meaning beneficial owners of 2023A Certificates that for United States federal income tax purposes are either individual citizens or residents of the

United States or corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia). ***Partnerships (including entities treated as partnerships for United States federal income tax purposes) holding 2023A Certificates, and partners in such partnerships, and estates or trusts holding 2023A Certificates, and beneficiaries of such estates or trusts, should consult their tax advisors regarding the tax consequences of an investment in the 2023A Certificates (including their status as U.S. owners).***

Prospective purchasers of the 2023A Certificates upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the 2023A Certificates at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Co-Special Counsel expresses no opinion.

Payment of Interest

In general, interest paid or accrued on the 2023A Certificates, including qualified stated interest on Discount 2023A Certificates (as defined below), if any, will be treated as ordinary income to U.S. owners. A U.S. owner using the accrual method of accounting for U.S. federal income tax purposes must include interest paid or accrued on the 2023A Certificates in ordinary income as the interest accrues, while a U.S. owner using the cash receipts and disbursements method of accounting for U.S. federal income tax purposes must include interest in ordinary income when payments are received or constructively received by the owner, except as described below under the section entitled "Original Issue Discount and Original Issue Premium."

Original Issue Discount and Original Issue Premium

Certain of the 2023A Certificates ("Discount 2023A Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount 2023A Certificate, provided that excess equals or exceeds a statutory *de minimis* amount (one-quarter of one percent of the Discount 2023A Certificate's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, if required by applicable Treasury Regulations, to an earlier call date)). The issue price of a Discount 2023A Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount 2023A Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount 2023A Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the time a U.S. owner owns a Discount 2023A Certificate (i) is interest includable in the U.S. owner's gross income for federal income tax purposes, and (ii) is added to the U.S. owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of the Discount 2023A Certificate. The effect of OID is to accelerate the recognition of taxable income for a U.S. owner who uses the cash method of accounting during the term of the Discount 2023A Certificate.

Certain of the 2023A Certificates ("Premium 2023A Certificates") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). If a U.S. owner purchases a Premium 2023A Certificate, that owner will be considered to have purchased such Premium 2023A Certificate with "amortizable bond premium" equal in amount to such excess. The U.S. owner may elect (which election shall apply to all securities purchased at a premium by such U.S. owner), in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium 2023A Certificate using a constant yield to maturity method over the remaining term of the Premium 2023A Certificate (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium 2023A Certificate pursuant to Section 1016(a)(5) of the Code.

Owners of Discount and Premium 2023A Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium 2023A Certificates, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Sale, Exchange, Retirement or Other Taxable Disposition of 2023A Certificates

Upon the sale, exchange, retirement or other taxable disposition of a 2023A Certificate, a U.S. owner will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other disposition and the owner's adjusted basis in the 2023A Certificate or applicable portion of the adjusted basis. The owner's adjusted basis generally will equal the cost of the 2023A Certificate to the owner, increased by any OID includible in the owner's ordinary income for the 2023A Certificate and reduced by any principal payments on the 2023A Certificate previously received by the owner (including any other payments on the 2023A Certificate that are not qualified stated interest payments) and by any amortizable bond premium allowed as a deduction as described above under the section entitled "Original Issue Discount and Original Issue Premium." Any gain or loss recognized upon a sale, exchange, retirement or other disposition of a 2023A Certificate (excluding amounts attributable to accrued interest or OID) will generally be capital gain or loss and will be long-term capital gain or loss if the U.S. owner's holding period in the 2023A Certificate exceeds one year. Long-term capital gains of individuals are currently eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on the 2023A Certificates and the proceeds of the sale of 2023A Certificates to non-corporate holders of the 2023A Certificates, and "backup withholding," currently at a rate of 24%, will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of 2023A Certificates that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Medicare Tax Affecting U.S. Owners

A U.S. owner that is an individual is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. owner's "net investment income" for the taxable year and (2) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). A U.S. owner's net investment income generally includes interest income on, and net gains from the disposition of, 2023A Certificates, unless such interest income or net gains are derived in the ordinary course of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual should consult its tax advisor regarding the applicability of the Medicare tax.

Non-U.S. Owners

Under the Code, interest and OID on any 2023A Certificate whose beneficial owner is not a U.S. owner is generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on the 2023A Certificates with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest or OID on the 2023A Certificates held by the non-U.S. owner is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. ***Non-U.S. owners should consult their tax advisors regarding the tax consequences of an investment in the 2023A Certificates.***

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30% withholding tax on interest payments to (i) certain foreign financial institutions (including certain investment funds) that fail to certify their FATCA status and (ii) non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders are not satisfied. Proposed Treasury Regulations, which may be relied upon until final Treasury Regulations are promulgated, suspend the requirement to apply the 30% withholding tax to gross proceeds from the sale or other disposition of 2023A Certificates. This requirement otherwise would have applied to a sale or other disposition of 2023A Certificates made on or after January 1, 2019.

In the case of payments made to a "foreign financial institution" (generally including an investment fund), as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a "FATCA Agreement") or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an "IGA"), in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any "substantial" U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity) or identifies its "substantial" U.S. owners.

If 2023A Certificates are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold the 30% FATCA tax on payments of interest as described above made to (i) a person (including an individual) that fails to comply with certain information requests or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in "Non-U.S. Owners" or "Information Reporting and Backup Withholding" also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on 2023A Certificates as a result of a failure by an investor (or by an institution through which an investor holds the 2023A Certificates) to comply with FATCA, none of the City, any paying agent or any other person would, pursuant to the terms of the 2023A Certificates, be required to pay additional amounts with respect to any 2023A Certificate as a result of the deduction or withholding of such tax. ***Non-U.S. owners should consult their tax advisors regarding the application of FATCA to the ownership and disposition of 2023A Certificates.***

2023B Certificates

In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, as Co-Special Counsel, under existing law: (i) interest on the 2023B Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (ii) interest on the 2023B Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the 2023B Certificates.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2023B Certificates are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Special Counsel will not independently verify the accuracy of the City's representations and certifications or the continuing compliance with the City's covenants.

The opinion of Co-Special Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Special Counsel's legal judgment as to exclusion of interest on the 2023B Certificates from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service (the "IRS") or any court. Co-Special Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the 2023B Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the 2023B Certificates. The City has covenanted to take the actions required of it for the interest on the 2023B Certificates to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the 2023B Certificates, Co-Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2023B Certificates or the market value of the 2023B Certificates.

Interest on the 2023B Certificates may be subject: (1) to a federal branch profits tax imposed on certain foreign corporations doing business in the United States; (2) to a federal tax imposed on excess net passive income of certain S corporations; and (3) to the alternative minimum tax imposed under Section 55(b) of the Code on "applicable corporations" (within the meaning of Section 59(k) of the Code). Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2023B Certificates. Co-Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 2023B Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a 2023B Certificate owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Special Counsel's engagement with respect to the 2023B Certificates ends with the issuance of the 2023B Certificates, and, unless separately engaged, Co-Special Counsel is not obligated to defend the City or the owners of the 2023B Certificates regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2023B Certificates, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the 2023B Certificates will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2023B Certificates for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2023B Certificates.

Prospective purchasers of the 2023B Certificates upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the 2023B Certificates at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Co-Special Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the 2023B Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2023B Certificates will not have an adverse effect on the tax status of interest on the 2023B Certificates or the market value or marketability of the 2023B Certificates. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2023B Certificates from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax that was in effect at that time, and eliminated the tax-exempt advance refunding of tax-exempt bonds and tax-advantaged bonds, among other things. Additionally, investors in the 2023B Certificates should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the 2023B Certificates for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 2023B Certificates may be affected and the ability of holders to sell their 2023B Certificates in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the 2023B Certificates ("Discount 2023B Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount 2023B Certificate. The issue price of a Discount 2023B Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount 2023B Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount 2023B Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount 2023B Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the 2023B Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale or other disposition of that Discount 2023B Certificate. A purchaser of a Discount 2023B Certificate in the initial public offering at the issue price (described above) for that Discount 2023B Certificate who holds that Discount 2023B Certificate to maturity will realize no gain or loss upon the retirement of that Discount 2023B Certificate.

Certain of the 2023B Certificates ("Premium 2023B Certificates") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium 2023B Certificate, based on the yield to maturity of that Premium 2023B Certificate (or, in the case of a Premium 2023B Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium 2023B Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium 2023B Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium 2023B Certificate, the owner's tax basis in the Premium 2023B Certificate is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium 2023B Certificate for an amount equal to or less than the amount paid by the owner for that Premium 2023B Certificate. A purchaser of a Premium 2023B Certificate in the initial public offering who holds that Premium 2023B Certificate to maturity (or, in the case of a callable Premium 2023B Certificate, to its earlier call date that results in the lowest yield on that Premium 2023B Certificate) will realize no gain or loss upon the retirement of that Premium 2023B Certificate.

Owners of Discount and Premium 2023B Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium 2023B Certificates, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

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 Squire Patton Boggs (US) LLP, San Francisco, California and Husch Blackwell LLP, Oakland, California, Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed forms 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 them 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 their date.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel.

Co-Disclosure Counsel have 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. Co-Disclosure Counsel are not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and have 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, each Co-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 Co-Disclosure Counsel's having acted in the role of co-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

KNN Public Finance, LLC and NHA Advisors, LLC have served as Co-Municipal Advisors to the City with respect to the sale of the Certificates. The Co-Municipal 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-Municipal Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Special Counsel and Co-Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2022-23, which is due not later than March 26, 2024, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board. 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 initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

As of May 6, 2021, the City was a party to certain continuing disclosure undertakings relating to municipal securities which require the City to file notice filings on EMMA within ten days in the event of the incurrence of financial obligations and certain other events, if material. On May 6, 2021, the City extended for two years certain liquidity facilities relating to series 1 and 1-T and series 2 and 2-T of its commercial paper program. On July 1, 2021, the City filed on EMMA an event notice relating to these extensions.

For fiscal year 2021-22, although the City's Annual Comprehensive Financial Report was posted on EMMA, it was not linked to all of the CUSIP numbers for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2022A and 2022B. The City has taken action to link such Annual Comprehensive Financial Report to the applicable CUSIP numbers.

The City may, from time to time, but is not obligated to, post its Annual Comprehensive Financial Report and other financial information on the City's investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure.

ABSENCE OF LITIGATION

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

VALIDATION ACTION

No validation action has been pursued or is expected to be pursued with respect to the validity of the Sixth Supplement to Project Lease, the Sixth Supplement to Property Lease, the Sixth Supplement to Trust Agreement, the Seventh Supplement to Project Lease, the Seventh Supplement to Property Lease, and the Seventh Supplement to Trust Agreement.

The City filed a complaint on September 15, 2008, pursuant to State Code of Civil Procedure Sections 860 through 870.5 in the Superior Court for the State in and for the City to validate the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. On January 15, 2009, a judgment was rendered finding the Original Project Lease, the Original Property Lease and the Original Trust Agreement to be valid, legal and binding obligations of the City in accordance with their terms and in conformity with all applicable provisions of law, including Article XVI, Section 18 of the State Constitution.

State Code of Civil Procedure Section 870(a) provides that such a judgment, if no appeal is taken, or if taken and the judgment affirmed, shall thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated against the City and against all other persons. State Code of Civil Procedure Section 870(b) provides that no appeal shall be allowed from such a judgment unless a notice of appeal is filed within 30 days after the entry of judgment. No notice of appeal was filed.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aa1," "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.spglobal.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, or other actions of a rating agency related to its rating, 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. See "CONTINUING DISCLOSURE" herein.

SALE OF THE CERTIFICATES

The Certificates were sold by competitive bid on October 17, 2023, as provided in two separate Official Notices of Sale, each dated October 6, 2023 (each, an "Official Notice of Sale"). The 2023A Certificates were awarded to RBC Capital Markets LLC, at a purchase price of $102,763,250.55 (consisting of the principal amount of the 2023A Certificates, plus net original issue premium of $128,825.55, and less an underwriter's discount of $775,575.00). The 2023B Certificates were awarded to Morgan Stanley & Co., LLC, at a purchase price of $81,908,053.78 (consisting of the principal amount of the 2023B Certificates, plus net original issue premium of $2,139,042.65, and less an underwriter's discount of $270,988.87).

Each Official Notice of Sale provided that all Certificates of a Series would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the relevant Official Notice of Sale, the approval of certain legal matters by Co-Special Counsel and certain other conditions. Each Purchaser has represented to the City that their related Series of Certificates have been reoffered to the public at the prices or yields stated on the inside cover page hereof.

Morgan Stanley & Co. LLC, as purchaser of the 2023B Certificates, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2023B Certificates.

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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 contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchasers or Owners and beneficial owners of any of the Certificates.

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

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Benjamin Rosenfield

Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix A to the Official Statement of the City provides general information about the City's governance structure, budget processes, property taxation system and tax and other revenue sources, City expenditures, labor relations, employment benefits and retirement costs, 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 and should not be considered in making a decision to buy the Certificates.

Information concerning the City's finances that does not materially impact the availability of moneys deposited in the General Fund including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("PUC"), and other enterprise funds, or the expenditure of moneys from the General Fund, is generally not included or, if included, is not described in detail in this Appendix A.

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected.

APPENDIX A
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CITY FINANCIAL CHALLENGES

The City is facing material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospitality and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions.

The Original Budget for fiscal years 2023-24 and 2024-54 (the "FY24 & FY25 Original Budget") was approved by the Board of Supervisors on July 25, 2023 and signed by the Mayor on July 27, 2023. See "CITY BUDGET – Budget Process" for additional detail.

The COVID-19 pandemic resulted in general negative effects on the City's economy which materially adversely impacted the City's tax revenues and increased expenses due to public health responses. These decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its "other local taxes," which includes hotel and sales taxes. See "GENERAL FUND REVENUES – PROPERTY TAXATION – Tax Levy and Collection" for additional detail.

The FY24 & FY25 Original Budget reflects continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City. The budget relies heavily on one-time funds to support operations during the two-year budget period.

The FY24 & FY25 Original Budget was based in large part on revenue assumptions contained in the fiscal year 2023-24 Nine-Month Budget Status Report (the "Nine-Month Report") (issued in May 2023), which assumed continuing economic recovery in fiscal years 2023-24 and 2024-25. Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow during the coming two years, but in most cases are expected to remain below pre-pandemic levels. The continuity of remote work and high interest rates are projected to continue to have significant adverse impacts on the City's property, business, and property transfer taxes. On August 1, 2023, the Controller issued a report on the status of the City economy for July 2023. The Controller's report noted that the local labor market remained strong, as the San Francisco Metropolitan Area added 8,400 jobs in June, after adding 8,800 in May, with the technology sector driving job growth. These gains largely offset the technology sector layoffs of late 2022/early 2023. The Controller's report also indicated that there was little sign of recovery in the downtown office market; office vacancy rose in the second quarter of 2023, while rents, office attendance, and downtown transit ridership were largely flat. Additionally, the City's housing market also remained sluggish, with condo prices falling faster in San Francisco than Statewide. These factors negatively impact the City's revenues, including, but not limited to, transfer tax, business tax and property tax revenues. See "BUDGETARY RISKS – Office Vacancy in San Francisco" for a discussion of the impact of remote working on commercial property in the City. In addition, there can be no assurances that potential adverse impacts of the current economic challenges on the financial condition of the State will not result in decreases in State funding to the City.

On June 12, 2023, the City Controller issued the "FY 2023-24 and FY 2024-25 Revenue Letter" (the "Revenue Letter"). In the Controller Revenue Letter, the Controller found the revenue assumptions in the FY24 & FY25 Original Budget to be reasonable, but cautioned they are highly dependent on conditions in the local economy, will require frequent monitoring, and are subject to updates as conditions change. The

Controller Revenue Letter also noted the FY24 & FY25 Original Budget relies heavily on one-time funds to support operations during the two-year budget period, and a structural gap in excess of $500 million is likely to persist following the exhaustion of those funds. See "CITY BUDGET – Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter" for more information.

On October 11, 2023 the Mayor's Office issued instructions for mid-year cuts in departmental General Fund budgets in October and November 2023. This current fiscal year saving strategy is intended to achieve onetime and ongoing savings that will reduce projected budget deficits in future fiscal years. While the City is not aware of material weakness in the current year budget, this plan would also provide a financial hedge should such variances occur as the current fiscal year progresses.

Potential reductions include eliminating non-essential vacant positions, reducing grants and contracts, and shifting General Fund expenditures to other sources. A full update to the Five Year Financial plan and budget instructions from the Mayor's Office to departments for the FY25 & FY26 budgets will follow in December 2023.

CITY GOVERNMENT

City Charter

San Francisco is constituted 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, voters approved the current charter, which went into effect in most respects on July 1, 1996 ("Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts ("Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer ("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 TK-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides 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 a 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 slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

Under its original charter, the City committed 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 Mills 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. 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. SFO, the Port, the PUC (which 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 twenty one 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 enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, annually receive significant General Fund transfers.

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. 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

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. In November 2019, Mayor Breed was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading the City following the sudden passing of Mayor Lee. Mayor Breed previously served as a member of the Board of Supervisors for six years, including the last three years as President of the Board.

Board of Supervisors

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
Connie Chan, *District 1*	2021	2025
Catherine Stefani, *District 2*	2018	2027
Aaron Peskin, Board President, *District 3*	2015	2025
Joel Engardio, *District 4*	2023	2027
Dean Preston, *District 5*	2019	2025
Matt Dorsey, *District 6*	2022	2027
Myrna Melgar, *District 7*	2021	2025
Rafael Mandelman, *District 8*	2018	2027
Hillary Ronen, *District 9*	2017	2025
Shamann Walton, *District 10*	2019	2027
Ahsha Safai, *District 11*	2017	2025

Other Elected and Appointed City Officers

The City Attorney, an elected position, represents the City in all legal proceedings in which the City has an interest. On September 29, 2021, Mayor London N. Breed appointed Assemblymember David Chiu to serve as the San Francisco City Attorney. Mr. Chiu replaced the prior City Attorney, Dennis Herrera, who became the General Manager of the San Francisco Public Utilities Commission on November 1, 2021. Mr. Chiu ran and was elected by voters in an election on June 7, 2022 to his current term as City Attorney.

The Assessor-Recorder administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. The position of Assessor-Recorder is a citywide elected position. Mr. Torres ran and was elected by voters in a special election on February 15, 2022 to his current term as Assessor-Recorder.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom.

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. 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. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new ten-year term as Controller in Spring 2018, and his nomination was confirmed by the Board of Supervisors on May 1, 2018.

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. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Carmen Chu was sworn in as the City Administrator on February 2, 2021.

CITY BUDGET

Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal position 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 these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a vote of City residents. 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.

The FY24 & FY25 Original Budget was passed by the Board of Supervisors on July 25, 2023 and signed by Mayor Breed on July 27, 2023. The Original Budget for fiscal year 2023-24 appropriated annual revenues, fund balance, transfers and reserves of $14.6 billion, of which the City's General Fund accounts for $6.8 billion. The Original Budget for fiscal year 2024-25 appropriates revenues, fund balance, transfers and reserves of $14.5 billion, of which $7.0 billion represents the General Fund budget. See "CITY BUDGET – Original Budget for Fiscal Years 2023-24 and 2024-25" for further details on the budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2020-21 and 2021-22, and Original Budgets for fiscal years 2022-23 through 2024-25. The Final Revised Budget for fiscal year 2022-23 is pending completion of the City's Annual Comprehensive Financial Report ("ACFR") for fiscal year 2022-23, and is not yet available. See "GENERAL FUND REVENUES - PROPERTY TAXATION –Tax Levy and Collection," "GENERAL FUND REVENUES - OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

See "CITY FINANCIAL CHALLENGES" and "BUDGETARY RISKS" for discussions of factors that may affect the revenue and expenditure levels assumed in the Original Budget.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2020-21 through 2024-25
(000s)

	2020-21 Final Revised Budget [6]	2021-22 Final Revised Budget [6]	2022-23 Original Budget [7]	2023-24 Original Budget [8]	2024-25 Original Budget [8]
Prior-Year Budgetary Fund Balance & Reserves	$2,816,902	$2,803,535	$395,409	$224,248	$362,464
Budgeted Revenues					
Property Taxes[1]	$2,161,945	$2,115,600	$2,379,530	$2,510,000	$2,474,000
Business Taxes	798,057	957,307	902,300	851,100	941,100
Other Local Taxes[2]	657,990	777,750	1,050,820	1,098,880	1,197,380
Licenses, Permits and Franchises	22,977	28,027	26,818	30,291	30,583
Fines, Forfeitures and Penalties	2,389	4,039	3,088	3,014	3,141
Interest and Investment Earnings	20,732	34,215	44,467	121,071	113,517
Rents and Concessions	11,166	11,820	13,131	14,571	14,803
Grants and Subventions	1,591,756	1,699,946	1,511,286	1,477,115	1,388,989
Charges for Services	254,990	258,939	236,924	272,865	264,613
Other	59,773	37,694	19,420	17,532	27,766
Total Budgeted Revenues	$5,581,775	$5,925,337	$6,187,784	$6,396,439	$6,455,892
Bond Proceeds & Repayment of Loans	-	-	-	-	-
Expenditure Appropriations					
Public Protection	$1,505,780	$1,586,264	$1,675,801	$1,747,204	$1,779,540
Public Works, Transportation & Commerce	218,986	244,365	262,733	242,912	233,446
Human Welfare & Neighborhood Development	1,605,573	1,571,761	1,576,410	1,604,163	1,615,373
Community Health	1,158,599	1,119,891	1,162,956	1,125,977	1,157,023
Culture and Recreation	147,334	161,417	197,596	201,453	202,539
General Administration & Finance	332,997	353,518	338,055	345,406	357,335
General City Responsibilities[3]	126,993	156,892	226,931	184,513	237,146
Total Expenditure Appropriations	$5,096,262	$5,194,108	$5,440,482	$5,451,628	$5,582,402
Budgetary reserves and designations, net	$42,454	$45,567	$65,741	$70,840	$17,550
Transfers In	$417,009	$194,114	$203,001	$211,296	$210,318
Transfers Out[4]	(1,164,927)	(1,181,704)	(1,279,971)	(1,309,516)	(1,428,723)
Net Transfers In/Out	($747,918)	($987,590)	($1,076,970)	($1,098,220)	($1,218,405)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	2,512,044	2,501,608	-	-	-
Variance of Actual vs. Budget	291,491	712,423	-	-	-
Total Actual Budgetary Fund Balance[5]	2,803,535	3,214,031	-	-	-

[1] The Budget appropriates Excess ERAF property tax funds in all fiscal years shown on the table. Please see "Property Tax" sections for more information about Excess ERAF.

[2] Other Local Taxes includes sales, hotel, utility users, parking, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

[3] 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.

[4] Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

[5] Fiscal year 2020-21 through fiscal year 2021-22 Final Revised Budget reflects prior year *actual* budgetary fund balance.

[6] Fiscal year 2020-21, and 2021-22 Final Revised Budgets are based on fiscal year 2020-21, and 2021-22 ACFRs, respectively. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund. See reserve discussion under "CITY BUDGET" section.

[7] Fiscal year 2022-23 amounts represent the Original Budget, adopted July 27, 2022. Final Revised Budget is pending completion of FY 2022-23 ACFR.

[8] Fiscal year 2023-24 and 2024-25 amounts represent the Original Budget, adopted July 27, 2023.

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

Budget Process

The following paragraphs contain a description of the City's customary budget process. The City's fiscal year commences on July 1 and ends on June 30. 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 a proposed 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 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 Revenue Letter and other information from the Controller's website are not incorporated herein by reference. The City's Capital Planning Committee (composed of other City officials) 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, each year, 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 approves the budget by adoption of the Budget and Appropriation Ordinance (also referred to herein as the "Original Budget") typically by no later than August 1 of each fiscal year.

The Budget and Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 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 Budget and Appropriation 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 Budget and 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 Budget and 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 upon release of the City's ACFR to reflect the year-end revenue and expenditure appropriations for that fiscal year.

Multi-Year Budgeting and Planning

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors. For fiscal year 2023-24 MTA, PUC, SFO, and the Port were in the second year of their previously adopted, fixed, two-year budgets. In fiscal year 2024-25, those department budgets will open again for amendments. All other departments prepared balanced, rolling two-year budgets for Board approval.

2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A 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, the Budget Analyst for the Board of Supervisors and Controller's Office on January 13, 2023, for fiscal year 2023-24 through fiscal year 2027-28. See "Five-Year Financial Plan and Mayor's Budget Instructions" section below. The Five-Year Financial Plan was updated in the March Joint Report, see "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary. The next plan update will be released in early 2024.

3. The Controller's Office proposes 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 the City is required 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. Key financial policies that have been enacted include:

    - Non-Recurring Revenue Policy – This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, 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.

    - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. The fiscal year 2020-21 Original Budget withdrew the maximum permissible amount from the City's Rainy Day and Budget Stabilization Reserves, but the original fiscal year 2021-22 budget provided for the withdrawal of a *de minimis* amount, preserving the remaining balance of the reserves. Fiscal years 2022-23, 2023-24, and 2024-25 budgets did not withdraw from the Rainy Day or Budget Stabilization Reserves. These and other reserves are discussed under the Rainy Day Reserve and Budget Stabilization Reserve section.

4. The City is required to submit labor agreements to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. The City negotiated agreements with its public safety employee organizations for fiscal years 2023-24 and 2024-25. Miscellaneous employee labor agreements are open for 2024-25, and the City will be bargaining in spring 2024.

Role of Controller in 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 actual expenditures are often different from the estimated expenditures in the Original Budget due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds. If the Controller estimates revenue shortfalls that exceed applicable reserves and any other allowances for revenue shortfalls in the adopted City budget, upon receipt of such estimates, the Mayor is to inform the Board of Supervisors of actions to address this shortfall. The Board of Supervisors may adopt an ordinance to reflect the Mayor's proposal or alternative proposals in order to balance the budget.

In addition to the five-year planning responsibilities discussed above, 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 fiscal year 2022-23 Six Month Report (the "Six Month Report") on February 15, 2023 and the Nine Month Report on May 15, 2023. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget for fiscal year 2023-24 and 2024-25 in the Revenue Letter, which was issued on June 12, 2023.

General Fund Results: Audited Financial Statements

The City issued the ACFR, which includes the City's audited financial statements, for fiscal year 2021-22 on March 1, 2023. The fiscal year 2022-23 ACFR will be released in fall 2023. Fiscal year 2022-23 pre-audit results for selected revenues are discussed in Appendix A, but final revised budgets and overall net position are still pending and not updated here.

Fiscal year 2021-22 General Fund balance showed an increase from the fiscal year 2020-21 General Fund balance. As of June 30, 2022, the net available budgetary basis General Fund fund balance was $1.02 billion (see Table A-4), which represents a $114.2 million increase in available fund balance from the $902.0 million available as of June 30, 2021. This increase resulted primarily from greater-than-budgeted property, hotel and real property transfer tax revenues, partially offset by under-performance in business tax revenues in fiscal year 2021-22.

The General Fund balance as of June 30, 2022 was $2.9 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from revenues of $6.3 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the ACFR. 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. Table A-3 focuses on a specific portion of the City's balance sheet; General Fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2018 through June 30, 2022.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of General Fund Fund Balances
Fiscal Years 2017-18 through 2021-22
(000s)

	2017-18	2018-19	2019-20	2020-21	2021-22
Restricted for rainy day (Economic Stabilization account)[1]	$89,309	$229,069	$229,069	$114,539	$114,539
Restricted for rainy day (One-time Spending account)[2]	54,668	95,908	-	-	-
Committed for budget stabilization (citywide)[2]	369,958	396,760	362,607	320,637	320,637
Committed for Recreation & Parks savings reserve[3]	1,740	803	803	-	-
Assigned, not available for appropriation					
Assigned for encumbrances	$345,596	$351,446	$394,912	$407,137	$462,668
Assigned for appropriation carryforward	423,835	496,846	630,759	753,776	940,213
Assigned for budget savings incentive program (Citywide)[3]	73,650	86,979	-	-	-
Assigned for salaries and benefits [4]	23,931	28,965	25,371	5,088	17,921
Assigned for Self-Insurance [5]				42,454	45,567
Assigned for Hotel Tax Loss Contingency [6]				6,000	3,500
Total Fund Balance Not Available for Appropriation	$1,382,687	$1,686,776	$1,643,521	$1,649,631	$1,905,045
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies[4]	$235,925	$186,913	$160,314	$173,591	$235,133
Assigned for subsequent year's budget	188,562	210,638	370,405	173,989	307,743
Unassigned for General Reserve [7]	106,878	130,894	78,498	78,333	57,696
Unassigned - Budgeted for use second budget year	223,251	285,152	84	-	149,695
Unassigned - Projected for use third and fourth budget year	-	-	-	-	163,400
Unassigned - Contingency for second budget year	160,000	308,000	510,400	-	-
Unassigned - COVID-19 Response and Economic Contingency Reserve [8]	-	-	-	113,500	13,999
Unassigned - Federal & State Emergency Revenue Reserve [8]	-	-	-	100,000	81,300
Unassigned - Fiscal Cliff Reserve [8]	-	-	-	293,900	229,750
Unassigned - Business Tax Stabilization Reserve	-	-	-	149,000	29,454
Unassigned - Gross Receipts Prepayment Reserve	-	-	-	26,000	-
Unassigned - Other Reserve	-	-	-	13,807	1,021
Unassigned - Available for future appropriation	44,779	8,897	18,283	31,784	39,795
Total Fund Balance Available for Appropriation	$959,395	$1,130,494	$1,137,984	$1,153,904	$1,308,986
Total Fund Balance, Budget Basis	$2,342,082	$2,817,270	$2,781,505	$2,803,535	$3,214,031
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$2,342,082	$2,817,270	$2,781,505	$2,803,535	$3,214,031
Unrealized gain or loss on investments	(20,602)	16,275	36,626	3,978	(156,403)
Nonspendable fund balance	1,512	1,259	1,274	2,714	4,134
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(25,495)	(23,793)	(20,655)	(31,745)	(32,874)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(68,958)	(87,794)	(139,590)	(120,569)	(118,791)
Inventories	-	-	33,212	17,925	-
Pre-paid lease revenue	(6,598)	(6,194)	(6,450)	(5,734)	(4,954)
Total Fund Balance, GAAP Basis	$2,221,941	$2,717,023	$2,685,922	$2,670,104	$2,905,143

[1] Additional information in Rainy Day Reserves section of Appendix A, following this table.
[2] Additional information in Budget Stabilization Reserve section of Appendix A, following this table.
[3] Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.
[4] Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.
The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.
[5] Due to the GASB 84 implementation, the self-insurance and other general City activities from the former Payroll (Agency) Fund became part of the General Fund.
The balance represets a fund collected and restricted for self-insurance purpose.
[6] Additional information in Hotel Tax Loss Contingency of Appendix A, following this table.
[7] Additional information in General Reserves section of Appendix A, following this table.
[8] Additional information in the COVID Response and Economic Loss Reserve section of Appendix A, following this table.

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

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-3 shows the City's various reserve balances as designations of fund balance. Key reserves are described further as follows:

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 above. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve (not shown in Table A-3 because it is not part of the General Fund, it is reserved for SFUSD);
- 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.

The fiscal year 2021-22 ending balance of the Rainy Day Economic Stabilization City Reserve was $114.5 million, as shown in Table A-3. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in fiscal years 2022-23, 2023-24 or 2024-25, preserving the balance of $114.5 million in those years.

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support 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 One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the 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 rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One Time Reserve was $320.6 million at the end of fiscal year 2021-22, with an ending balance of $265.8 million in the Budget Stabilization Reserve and $54.8 million in the Budget Stabilization One-Time Reserve. The fiscal year 2022-23 Original Budget withdraws the balance of the Budget Stabilization One-Time Reserve. As with the Rainy Day Reserve under Proposition C, the City is not eligible to withdraw from the Budget Stabilization Reserve in fiscal years 2022-23, 2023-24 or 2024-25, maintaining the fiscal year 2021-22 $265.8 million balance.

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. 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. No deposits are required in years when the City is eligible to withdraw.

Salaries, Benefits and Litigation Reserves

The City maintains two reserves to offset potential expenses, which are available to City departments through a Controller's Office review and approval process. These are shown in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $17.9 million as of fiscal year 2021-22) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of $235.1 million in fiscal year 2021-22) are combined for reporting purposes. The purpose of the latter is to manage patient revenue volatility in the Department of Public Health.

General Reserve

The City maintains a General Reserve, shown as part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The fiscal year 2021-22 balance of $57.7 million includes $43.8 million of General Reserve, as well as two smaller, unrelated reserves. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the General 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. 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 in years when the City appropriates a withdrawal from the Rainy Day reserve. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal years 2020-21 and 2021-22, the City withdrew from the Rainy Day Reserve and reset its General Fund Reserve deposit requirement to 1.5% of General Fund revenues in those years. The fiscal year 2021-22 ending balance of the General Reserve is $43.8 million. The Original Budget for fiscal years 2022-23, 2023-24, and 2024-25 includes deposits of $64.4 million, $70.8 million, and $17.6 million, respectively. See "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions" and "– Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report" for a summary of the most recent projections.

COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve

The fiscal year 2020-21 Original Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of $507.4 million in fiscal year 2019-20, as shown as part of

"Unassigned Contingency for Second Budget Year" line in Table A-3. The COVID Response and Economic Loss Reserve was available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller noted that the $507.4 million total balance would be sufficient to offset some, but not all, of the budget risks identified in future years.

At of the end of fiscal year 2020-21, the COVID Response and Economic Loss Reserve was split into two new reserves -- $100.0 million for a "Federal and State Emergency Grant Disallowance Reserve," and $293.9 million for a "Fiscal Cliff Reserve"-- leaving $113.5 million in the original COVID Response and Economic Loss Reserve. In fiscal year 2021-22, $99.5 million of the COVID Response and Economic Loss Reserve was used to balance the budget, leaving a balance of $14.0 million. The 2022-23 Original Budget used the remainder of this reserve.

The Federal and State Emergency Grant Disallowance Reserve was created for the purpose of managing revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency ("FEMA") and other state and federal agencies. In fiscal year 2021-22, $18.7 million of the Federal and State Emergency Grant Disallowance Reserve was appropriated in the Original Budget, leaving a balance of $81.3 million. The fiscal year 2023-24 Original Budget does not appropriate any of this reserve, but the fiscal year 2024-25 Original Budget appropriates $41.3 million, leaving a balance of $40.0 million.

The Fiscal Cliff Reserve was created for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources. In fiscal year 2021-22, $64.2 million of the Fiscal Cliff Reserve was appropriated through a supplemental appropriations ordinance for rent relief and social housing. As a result, the fiscal year 2021-22 reserve balance was $229.8 million. The fiscal years 2022-23, 2023-24, and 2024-25 budgets appropriate $9.3 million, $90.2 million, and $0 respectively, leaving a balance of $130.3 million.

Operating Cash Reserve

Not shown in Table A-3, under the City 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 (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). 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. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Table A-4, entitled "Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's published ACFR. Audited financial statements can be obtained from the City Controller's website https://sf.gov/annual-comprehensive-financial-reports-acfr. 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. See "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions" for a summary of the most recent projections.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]
Fiscal Years 2017-18 through 2021-22
(000s)

	2017-18	2018-19	2019-20	2020-21	2021-22
Revenues:					
Property Taxes[2]	$1,673,950	$2,248,004	$2,075,002	$2,332,864	2,336,071
Business Taxes	897,076	917,811	822,154	722,642	861,172
Other Local Taxes[3]	1,093,769	1,215,306	996,180	709,018	1,115,553
Licenses, Permits and Franchises	28,803	27,960	25,318	12,332	32,078
Fines, Forfeitures and Penalties	7,966	4,740	3,705	4,508	5,755
Interest and Investment Income	16,245	88,523	65,459	(1,605)	(93,447)
Rents and Concessions	14,533	14,460	9,816	5,111	10,668
Intergovernmental	983,809	1,069,349	1,183,341	1,607,803	1,795,395
Charges for Services	248,926	257,814	229,759	230,048	238,438
Other	24,478	46,254	62,218	46,434	23,265
Total Revenues	$4,989,555	$5,890,221	$5,472,952	$5,669,155	$6,324,948
Expenditures:					
Public Protection	$1,312,582	$1,382,031	$1,479,195	$1,498,514	$1,562,797
Public Works, Transportation & Commerce	223,830	202,988	203,350	204,973	232,078
Human Welfare and Neighborhood Development	999,048	1,071,309	1,252,865	1,562,982	1,478,115
Community Health	706,322	809,120	909,261	1,056,590	1,002,047
Culture and Recreation	142,215	152,250	155,164	145,405	159,056
General Administration & Finance	244,773	267,997	304,073	314,298	298,742
General City Responsibilities	110,812	144,808	129,941	113,913	156,870
Total Expenditures	$3,739,582	$4,030,503	$4,433,849	$4,896,675	$4,889,705
Excess of Revenues over Expenditures	$1,249,973	$1,859,718	$1,039,103	$772,480	$1,435,243
Other Financing Sources (Uses):					
Transfers In	$112,228	$104,338	$87,618	$343,498	$84,107
Transfers Out	(1,010,785)	(1,468,971)	(1,157,822)	(1,166,855)	(1,209,383)
Other	(178)	(3)	-	(338)	(74,928)
Total Other Financing Sources (Uses)	($898,735)	($1,364,636)	($1,070,204)	($823,695)	($1,200,204)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$351,238	$495,082	($31,101)	($51,215)	$235,039
Total Fund Balance at Beginning of Year	$1,870,703	$2,221,941	$2,717,023	$2,685,922	$2,670,104
Cumulative effect of accounting change				35,397	-
Total Fund Balance at End of Year -- GAAP Basis	$2,221,941	$2,717,023	$2,685,922	$2,670,104	$2,905,143
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$286,143	$326,582	$395,776	$179,077	$325,664
-- Budget Basis	$616,592	$812,687	$896,172	$901,980	$1,016,157

1 Summary of financial information derived from City ACFRs. 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 The City recognized $548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see "GENERAL FUND REVENUES - Property Taxation" for more information about Excess ERAF.

3 Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes (once it takes effect beginning January 1, 2022).

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

Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report

The Five-Year Financial Plan ("Five-Year Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Five-Year Plan be adopted every two years. Charter Section 9.119 requires that by March 1 of each odd-numbered year, the Mayor submit a Five-Year Plan to the Board. The City's Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimate for the remaining four years of the most recently adopted Five-Year Plan.

On January 13, 2023, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Five-Year Plan for fiscal years 2023-24 through 2027-28, which projected annual shortfalls of $200.8 million, $527.5 million, $745.6 million, $991.7 million, and $1.2 billion for those years, respectively. San Francisco's Charter requires that each year's budget be balanced. Based on the forecast in the Five-Year Plan, the Mayor's Budget Office issued instructions to departments in December 2022 to reduce their expenditures by 5% and 8% in fiscal years 2023-24 and 2024-25, respectively, in order to close the gap between projected sources and uses.

The City provided updated projections to the Five-Year Plan in its March Joint Report released on March 31, 2023. The March Joint Report projected larger shortfalls than the Five-Year Plan given more recent information and trends, including a fiscal year 2023-24 shortfall of $290.9 million, or $90.1 million higher than the projection in the Five-Year Plan (as defined herein) and an aggregate fiscal year 2023-24 and 2024-25 shortfall of $779.8 million, or $51.5 million more than the amount projected in the Five-Year Plan. The shortfall in fiscal year 2027-28 is projected to be $1.3 billion, which is $95.6 million greater than the projection in the Five-Year Plan. Based on this update, the Mayor's Budget Office issued additional instructions to departments on March 30, 2023, to reduce expenditures by an additional 5% in fiscal years 2023-24 and 2024-25.

The March Joint Report notes that the increased shortfalls are largely the result of lower revenue projections, higher employee benefit costs, and new spending proposals adopted by the City since the issuance of the Five-Year Plan. The March Joint Report also notes a number of factors that could impact the projections, including any contract changes due to labor negotiations, additional interest rate increases or other factors that may tip the nation into a recession, increases in the retirement contribution rate, and State and federal budget impacts.

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TABLE A-5(a)

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan
Fiscal Years 2023-24 through 2027-28
Projections as of March 31, 2023
($ Millions)

	2023-24	2024-25	2025-26	2026-27	2027-28
Sources - Increase / (Decrease):	($116.0)	$18.3	$85.6	$72.8	$191.3
Uses:					
Baselines & Reserves	($55.6)	($56.0)	($91.2)	($162.6)	($210.5)
Salaries & Benefits	(65.5)	(216.8)	(324.7)	(433.2)	(574.7)
Citywide Operating Budget Costs	(83.9)	(204.3)	(317.0)	(413.2)	(517.8)
Departmental Costs	30.1	(30.1)	(76.7)	(139.1)	(207.9)
Total Uses - (Increase) / Decrease:	($174.9)	($507.3)	($809.6)	($1,148.1)	($1,511.1)
Projected Surplus / (Shortfall):	($290.9)	($488.9)	($723.9)	($1,075.3)	($1,319.8)

Key assumptions in the Five-Year Plan and March Joint Report were:

- **Recovery continues, but high levels of remote work persist:** San Francisco's economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism. This report assumes changes in office use that occurred during the pandemic are long lasting, affecting commercial and residential real estate and taxable gross receipts. While the recovery in travel and tourism is stronger than prior forecasts, hotel tax revenues are not projected to reach their pre-pandemic levels until fiscal year 2026-27 and are subject to weakness in business travel and convention activity. The March Joint Report forecasts weakening revenue, primarily due to improvements in property and business taxes being more than offset by weakness in FEMA reimbursements, State sales tax-based subventions, sales, hotel, and transfer taxes.

- **Implementation of measures adopted by voters in the November 2022 election:** Projections assume a net expenditure increase from these measures, including: costs to provide additional inflationary increases to pre-1996 retiree pensions; savings from the elimination of the Department of Streets and Sanitation and the consolidation of elections; creation of an oversight commission for the Department of Homelessness and Housing; extension of General Fund transfers to the Library Preservation Fund; and funding of a new baseline, the Student Success Fund.

- **Previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** The March Update assumed the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed memoranda of understanding ("MOU") through fiscal year 2025-26. Miscellaneous unions have closed MOUs through fiscal year 2023-24 that include a "recession trigger" provision to delay fiscal year 2023-24 scheduled wage increases should the projected shortfall for that year exceed $300 million Both reports assume the threshold is not met, which was the case for this year and will be tested again later this fiscal year. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody's SF Metropolitan Statistical Area CPI. This corresponds to 3.56% in fiscal year 2023-24, 2.62% in fiscal year 2024-25, 2.66% in fiscal year 2025-26, 2.45% in fiscal year 2026-27, and 2.51% in fiscal year 2027-28. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.

- **Pension investment returns meet expectations, but do not trigger a supplemental Cost of Living Adjustment (“COLA”):** Both reports assume a return on San Francisco Employees’ Retirement System (“SFERS” or “Retirement System”) assets of 7.2%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.

- **Health insurance cost increases:** The January projection assumed that the employer share of health insurance costs for active employees would increase by 5.2% in fiscal year 2023-24, 6.8% in fiscal year 2024-25, 6.3% in fiscal year 2025-26, and then 6.0% in each of the remaining two years of the projection period, for an average of 6.0% annually over the five years. Retiree health costs are assumed to grow by 5.3% in fiscal year 2023-24, 6.8% in fiscal year 2024-25, 6.3% in fiscal year 2025-26, and then 6.0% in each of the remaining two years, an average of 6.1% annually over the projection period. The March projection assumes health costs for active members are higher compared to the January projection as they include medical inflation and updated medical enrollments as of March 2023. The March projection also assumes that health costs for retired City employees will decrease in fiscal year 2023-24 compared to the January projections based on the Charter-required 10-county average, which was updated in March 2023.

The Five-Year Plan and March Joint Report noted key factors that could materially impact the City’s financial condition, including the following:

- **Labor negotiations:** The reports assume approved wage increases in collective bargaining agreements for most labor unions through the end of fiscal year 2023-24 and apply inflationary increases on open contracts in all other years based on the same CPI rates used in the January Report. Other than these costs, the reports do not assume any contract changes due to labor negotiations with Police and Firefighters’ unions for contracts effective July 1, 2023. Wage or benefit changes above or below these assumptions would impact the projection. At the time of the March update, the membership of the Police Officer’s Association had approved a tentative agreement with the City that would increase wages and premiums by rates greater than the CPI-based wage increases assumed in this report; this cost is not included in the update as the Board had not approved the MOU.

- **Interest rate increases or other factors tip the nation into recession:** The reports assume very modest revenue growth over the forecast period given structural changes in office using sectors, and that successive Fed interest rate increases slow growth without inducing a recession. However, there is continuing discussion among economic forecasters of the likelihood of a mild recession beginning in the first half of 2024. Assuming policymakers choose to completely deplete the City’s economic stabilization reserves, the report estimates such a recession would increase the total shortfall amount by $339.0 million over the forecast period.

- **Pending or proposed new programs or legislation:** No pending or proposed legislative changes with a fiscal impact are assumed in this projection. Legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Future projections will include impacts from any subsequently adopted legislation.

- **Revenue volatility from a highly progressive tax structure:** The General Fund projection includes revenue from the tax on executive compensation (November 2020 Proposition L) as well as revenue from new transfer tax rates (November 2020 Proposition I). These sources add to the City's already progressive tax structure, increasing revenue volatility. In addition, both taxes will likely lead to a variety of tax avoidance behaviors that are difficult to project in both form and timing, resulting in revenue that could be higher or lower than projected. See "BUDGETARY RISKS – Commuting Pattern Changes" for a summary of the July 2023 memorandum issued by the Controller's Office on how the City's business tax system is being challenged by the recent trends towards remote working.

- **State fiscal shortfall:** These projections assume excess ERAF property tax allocations continue under current legal requirements. However, in its November 2022 fiscal outlook report, the state Legislative Analyst Office projected a $24 billion shortfall in fiscal year 2023-24 and ongoing deficits, thereafter, increasing the likelihood of legislative proposals to alter ERAF allocations in a way that reduces the draw on the state's general fund to meet its Prop 98 school funding requirements, which would reduce excess ERAF that reverts to the City. In fiscal year 2022-23 excess ERAF property allocations to the City are projected to be approximately $350 million, which included certain one-time payments. In addition, discretionary state funding for housing, criminal justice, and other local government grants will likely decline. See "BUDGETARY RISKS – Impact of the State of California Budget on Local Finances" for more detail.

- **Retirement contribution rate:** Projections assume the SFERS achieves a 7.2% rate of return in fiscal year 2022-23 and in each year beyond. For the quarter ended June 30, 2023, the Retirement Fund was valued at $33.6 Billion (unaudited). The net of fee total returns for that quarter and the trailing one-year were 2.36% and 4.25%, respectively. The final audited valuation June 30, 2023 could vary from the year-to-date return value. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period. Reference "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS: San Francisco Employees' Retirement System" for more information.

Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report

The Nine-Month Budget Status Report (the "Nine-Month Report") was released on May 15, 2023. The Nine-Month Report indicates a projected General Fund net surplus of $209.3 million in fiscal year 2022-23, which is a $36.3 million improvement from the March Joint Report. The improvement was largely driven by an improving revenue outlook.

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TABLE A-5(b)

Nine-Month Report
Fiscal Year 22-23 Projected General Fund Variances to Budget ($ million)

	March 5-Yr Update	9-Month	Change
FY 2021-22 Ending Fund Balance	497.2	497.2	-
Appropriation in the FY 2022-23 Budget	(457.4)	(457.4)	-
Prior Year Fund Balance Above Budgeted Levels	39.8	39.8	-
Citywide Revenue	(58.8)	(31.9)	26.9
Baseline Contributions	(11.6)	(13.7)	(2.0)
Departmental Operations	25.4	44.7	19.3
Current Year Revenues and Expenditures	(45.0)	(0.8)	44.1
Approved Use of General Reserve - Source	50.4	50.4	-
Approved Use of General Reserve - Expenditure	(50.4)	(50.4)	-
Public Health Revenue Management Reserve	14.8	6.9	(7.9)
Supplemental Appropriations & Use of Reserves	14.8	6.9	(7.9)
Previously Unappappropriated Fund Balance	163.4	163.4	-
FY 2022-23 Projected Ending Balance	173.0	209.3	36.3

The following is a discussion of certain elements of the fiscal year 2022-23 projections in the Nine-Month Report:

- **Implications for upcoming fiscal years.** The Nine-Month Report forecasts a $209.3 million General Fund ending balance in fiscal year 2022-23, a $36.3 million improvement from the $173.0 million balance in the March Joint Report and a $39.8 million improvement versus the adopted budget for fiscal year 2022-23. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $743.5 million.

- **Citywide revenues are projected to be $31.9 million below budget, an improvement of $26.9 million from the March Joint Report to the Five-Year Plan.** The variance from budget is largely due to significant weakness in FEMA reimbursements of COVID expenses, real property transfer tax, and business tax. These shortfalls are partially offset by strength in the overpaid executives tax, the hospitality and tourism sector – evidenced by growth in hotel tax and concessions revenue at San Francisco International Airport (SFO)– as well as sales tax, property tax, and interest income.

- **Departments are projected to end the year with a $44.7 million net operating surplus, of which $27.6 million is attributable to approval of a supplemental appropriation to fund Police Department overtime overspending.** Controlling for offsetting revenue and expenditure fluctuations at the Human Services Agency (HSA), modest increases in revenue shortfalls in other departments were more than offset by savings in a range of expenditure types, but largely driven by salary and fringe benefit savings given hiring delays versus the adopted budget. The $18.0 million revenue shortfall at the Department of Public Health (DPH), stemming largely from the declining patient census at Laguna Honda Hospital as it seeks Center for Medicare Services (CMS) recertification, is projected to be closed with the department's revenue management reserve.

Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter

On June 1, 2023, the Mayor submitted a proposed, balanced budget for fiscal years 2023-24 and 2024-25 to the Board of Supervisors. On July 25, 2023, the Board of Supervisors passed a final budget, and the Mayor approved this budget on July 27, 2023 (the "FY24 & FY25 Original Budget").

The FY24 & FY25 Original Budget totals $14.6 billion for fiscal year 2023-24 and $14.5 billion for fiscal year 2024-25. The General Fund portion is $6.8 billion in fiscal year 2023-24 and $7.0 billion in fiscal year 2024-25. There are 33,402 funded full-time equivalent positions in fiscal year 2023-24 and 33,562 in fiscal year 2024-25, representing year-over-year increases of 194 and 160 positions, respectively.

The Charter requires that the Controller comment on revenue estimates assumed in the Mayor's fiscal year 2023-24 and fiscal year 2024-25 proposed budget. These comments were issued in the Revenue Letter on June 12, 2023. The revenue estimates assumed in the proposed budget are not materially different from the budget finally passed and approved later in the summer.

In the Revenue Letter, the Controller's Office found tax revenue assumptions to be reasonable, but cautioned that they are highly dependent on conditions in the local economy, will require frequent monitoring, and are subject to updates as conditions change. The report also noted the budget relies heavily on one-time funds to support operations during the two-year budget period, and a structural gap in excess of $500 million is likely to persist following the exhaustion of those funds.

Key findings in the Revenue Letter include:

- **Tax revenue projections generally assume a continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.** Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow during the coming two years, but in most cases remain below pre-pandemic levels. However, the continuity of remote work and high interest rates are projected to continue to have significant impacts on the City's property, business, and property transfer taxes. Tax increases adopted by the voters in recent years are projected to contribute to modest overall General Fund tax revenue growth of 0.6% in fiscal year 2023-24 and 3.3% fiscal year 2024-25.

- **The budget assumes nearly $1 billion of General Fund one-time solutions over the two budget years.** These one-time solutions include drawdown of $405.0 million in prior year fund balance, including $117.2 million in prior continuing appropriations the Mayor's budget proposes to close; $250.0 million of FEMA reimbursement for previously incurred emergency response costs; $172.3 million of reserve drawdowns; and other one-time solutions. Additionally, the budget proposes $125.9 million of short-term shifts of costs in other funds, with a significant portion designed to achieve General Fund savings.

- **The budget further draws on available reserves but maintains the City's economic stabilization reserves.** The budget uses $172.3 million of reserves established in prior years. By the end of the two-year budget period, the City will have used approximately $620 million (or 43%) of its $1.4 billion of pre-pandemic reserves to support on-going operations. The Mayor's proposed budget maintains a balance of $380.3 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined "Economic Stabilization Reserves"). Required General Reserve funding levels are maintained in the proposed budget.

- **The proposed budget makes some limited progress towards projected structural budget gaps in years beyond the coming two-year budget period.** This forecast, published in March 2023, forecasted a structural budget gap of $724 million in fiscal year 2025-26, growing in subsequent years, absent ongoing corrective action by policy makers. Based on a preliminary review of the mix of ongoing and one-time solutions proposed in the Mayor's budget, the Controller's Office estimates a likely shortfall in excess of $500 million in fiscal year 2025-26, growing in subsequent years.

- **The final adopted budget will require active monitoring and management by the Mayor and Board of Supervisors given a number of economic and financial risks.** These risks include the possibility of a slowing economic recovery or a recession, delays in the recertification of Laguna Honda Hospital, and risks associated with both State and Federal revenues streams. See "BUDGETARY RISKS – Laguna Honda Hospital Loss of Federal Funding" for more information on the recertification of Laguna Honda Hospital.

BUDGETARY RISKS

In addition to the budgetary risks described below, see "CITY BUDGET – Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report" for the most recent periodic budget status update released from the Controller's Office, as required by Section 3.105 of the City Charter.

Threat of Recession

Geopolitical events, successive interest rate increases by the Federal Reserve to combat inflation, and financial turmoil in the banking sector have increased expectations of recession in financial markets. A recession could adversely impact the City's economy and the financial condition of the General Fund. During the "Great Recession" that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3% in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017.

Commuting Pattern Changes

Continued heightened levels of telecommuting results in continued pressure on the City's general fund revenues. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Continued high levels of telecommuting and work from anywhere policies may affect how much of any business's gross receipts are apportionable to the City. San Francisco still lags the state as a whole in time spent at workplaces, and weekly office attendance has only reached approximately 45% by the end of July 2023, below other peer cities. As of August 2023, BART ridership was 42% of pre-pandemic levels. As of June 2023, bridge crossings into and out of the City were approximately 90% of pre-pandemic levels. Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

On July 12, 2023, the Office of the Controller issued a memorandum to the Board of Supervisors in response to a request from one of the Board of Supervisors of how the City's business tax system is being challenged by the recent trends towards remote working (the "Business Tax Memorandum").

The Business Tax Memorandum summarized that during the 2010s, the rapid growth of the tech industry, and the entire City economy, fueled growth in City tax revenues, particularly from business taxes. The City, which started the decade with the highest business tax burden of any city in California, further raised that burden with several rate increases and new taxes. However, none of these changes stopped the City from being one of the fastest growing cities in the country during the 2010s, although it did deepen three sources of risk in the City's finances.

First, the City's business tax revenue increasingly comes from a smaller handful of large taxpayers, mainly in the technology sector. These businesses could potentially reap substantial tax savings by locating in other Bay Area tech centers. With the persistence of hybrid work, most of them are currently reducing their office space needs in the City, and elsewhere.

Secondly, the City is increasingly reliant on taxes on the leasing and sale of commercial office properties. Remote work has led to a reduced volume of transactions of these properties, and there is some evidence of a marked reduction in property values. Both trends lead to revenue weakness for the City.

Finally, the business tax memorandum noted that, both structural changes in the City's economy, and policy choices to make the tax system more progressive, has had the effect of raising overall revenue volatility by concentrating revenue in a few payers. This runs counter to a long-standing City policy goal of minimizing volatility by broadening the tax base.

See "General Fund Revenues – Other City Tax Revenues" for a discussion of the Business Taxes, Real Property Transfer Tax and Overpaid Executive Tax referenced in the Business Tax Memorandum.

Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues

On October 19, 2022, the Chief Economist of the City's Office of the Controller released a memorandum regarding the impact of remote work on commercial property and tax revenue in the City. The following summarizes certain portions of such memorandum.

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, then estimated at 24% in the 3rd quarter of 2022, from around 5% before the pandemic.

Because of the prevalence of long-term leases in the commercial real estate industry, sudden reductions in demand often result in increases in sublease vacancy, instead of direct vacancy. Sublease vacancy occurs when existing tenants vacate their space and seek to find sub-lessees, but continue to pay rent under the original lease. A direct vacancy occurs when the original lease has been broken, or has expired and not been renewed. In this case, the property's income declines until a new lease is signed. In San Francisco, sublease vacancies were a very high percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate declined, while the direct vacancy rate continued to rise.

By mid-2022, direct vacancies accounted for most of the vacant office space in San Francisco, according to Jones Lang LaSalle IP, Inc. ("JLL"). For example, JLL developed a series of office vacancy rate forecasts for the City, through the year 2026. JLL generally showed historically high office vacancy rates persisting throughout the forecast period. JLL forecasted office vacancy in the city to remain between 19.5% and 25.3% by 2026, a range which is as high, or higher than any previous peak in office vacancy dating back to the 1990s. JLL also forecasted rents to rise again by the end of the forecast period, but at a slower rate than was seen in the 2010s. If vacancy rates remain at this elevated level, and a large share of these are direct vacancies, then the income, and market value, of office buildings in the City are likely to be negatively affected. The market value of commercial real estate reflects the current and future income that the market expects the property to generate. If expectations of future income streams are reduced, then the market value of office properties will be reduced.

A reduction in demand from tenants is not the only thing that could reduce the market value of San Francisco office buildings in the near future. Using an income valuation approach, the market value of properties is commonly estimated as the property's net operating income, divided by its capitalization rate (its effective rate of return). Capitalization rates are generally calculated from the sales of comparable properties, and vary across markets, and over time, according to changes in investors' perception of risk, and the risk-free rate of return. When investors perceive greater risk, they require a higher rate of return, and the spread between that asset's capitalization rate and the risk-free rate widens. When the capitalization rate rises, for whatever reason, the market value of a property will decline, all other things being equal.

The market value of a property is important for property tax revenue because a property's assessed value – the basis of its property tax liability – may not exceed its market value. If a property owner believes a property is assessed above its market value, they can request a reduction in assessment from the Assessor, and/or appeal a decision to the Assessment Appeals Board.

Under California's Proposition 13, however, a property's assessed value may grow by no more than 2% per year, unless a sale or other assessable event (like new construction) prompts a reassessment. In San Francisco, for several decades, the average market value of most classes of property has increased by well more than 2% annually. Proposition 13 has thus created a situation in which most San Francisco properties, that have not been recently sold, are assessed at levels below their market value. Most properties would not be over-assessed, and property tax revenue would not be at risk, if their market values declined by a small amount. In other words, Proposition 13 effectively cushions the City's property tax base from downturns in property markets, at the cost of reduced growth in property tax revenue during periods of strong economic growth.

On November 16, 2022, the Controller's Office provided a presentation to the Board of Supervisors concerning potential property tax implications relating to the continuation of significant remote work by employees of companies located in the City (the "Office Property Tax Presentation"). The presentation noted that remote work has persisted in the City, and that office vacancy rates have risen and could rise further. The Office Property Tax Presentation contained projected property tax losses based on three different market value scenarios provided by JLL relating to continuing remote work and vacancy rates. The projected losses under scenarios ranged from approximately $80 million to $150 million annually by 2026, with a potential widening to $100 million to $200 million annually by 2028, if conditions do not improve. The City cannot predict the actual level of revenues losses, however the City will continue to account for these trends in our periodic reports. Please see "CITY BUDGET — Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report" and "CITY BUDGET – Original Budget For Fiscal Years 2023-24 and 2024-25 and Revenue Letter" for additional information.

The trends identified in this report have continued. Based on the September 2023 report on the status of the City economy, office vacancy in the City was estimated to be 30% as of the 3nd quarter of 2023.

Potential City Acquisition of PG&E Distribution Assets

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers.

On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E's Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy. As part of its restructuring, on June 9, PG&E announced that it would be relocating its business headquarters, currently located at 245 Market Street and 77 Beale Street in San Francisco, to Oakland. The relocation was expected to occur in June 2022.

During the pendency of the PG&E bankruptcy, on September 6, 2019 the City submitted a non-binding indication of interest ("IOI") to PG&E and PG&E Corporation to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City ("Target Assets") for a purchase price of $2.5 billion (such transaction, the "Proposed Transaction"). In a letter dated October 7, 2019, PG&E declined the City's offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City's Board of Supervisors and the PUC's Commission conditionally authorized the sale of up to $3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

On July 27, 2021, the City submitted a petition with the California Public Utilities Commission ("CPUC") seeking formal determination of the value of investor-owned PG&E's local electric infrastructure. The matter is pending before the CPUC and the City can give no assurance about whether or when the CPUC will hold a hearing on the matter.

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and the PUC. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's General Fund would be available to pay for system operations, or City General Fund secured bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E's assets and expects to continue its pursuit with the newly reorganized entity.

Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in California *Cannabis Coalition v. City of Upland* (August 28, 2017, No. S234148) ("Upland Decision") interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e., an election at which members of the governing body stand for election). The court concluded such provision did not apply to tax measures submitted through the citizen initiative process. Under the Upland Decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C"), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless services.

The Upland Decision was subsequently affirmed by the California Supreme Court when it declined to review lower court challenges by plaintiffs in two other San Francisco Cases: *City of County of San Francisco v. All Persons Interested in the Matter of Proposition C,* 51 Cal. App. 5th 703 (2020) (Court of Appeal rejected a taxpayer challenge to validity of June Proposition C) and *City of County of San Francisco v. All Persons Interested in the Matter of Proposition G* (July 26, 2021, A16059) (Court of Appeal rejected a taxpayer challenge to validity of Proposition G). In so doing, the Upland Decision was affirmed as binding authority for the proposition that special taxes submitted through a citizen's initiative process only need pass by a majority vote, and not the supermajority requirement of Article XIIIC, Section 2(b) of the State Constitution.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2023-24 and 2024-25, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2023, California's fiscal year 2023-24 Budget was passed by the Legislature and signed by the Governor. This budget closed an estimated $31.7 billion shortfall primarily through funding shifts, modest spending reductions, delays in spending, and other sources.

Due to the timing of the City's reporting vs the State's estimates, estimated growth rates in state sales tax and VLF (defined herein) revenues contained in the January proposal have been reflected in the City's Nine-Month Report projections of state subventions and are included in the recently adopted fiscal year 2023-24 and 2024-25 budget. As discussed under "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions" the Five-Year Plan identifies State changes in ERAF allocation as a key factor that could impact the City's future financial position.

Impact of Federal Government on Local 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.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. See "Laguna Honda Hospital Potential Loss of Federal Funding." In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

The federal government provided significant funding to local governments to respond to the public health emergency and mitigate the fiscal effect of the COVID-19 pandemic. The City spent the entirely of its General Fund allocations of Coronavirus Aid, Relief, and Economic Security Act ("CARES") and American Rescue Plan Act ("ARPA") State and Local Fiscal Recovery Fund monies as of fiscal year 2021-22 and is awaiting reimbursement of emergency response costs submitted to the FEMA. In fiscal year 2022-23, the City originally budgeted $243.4 million of FEMA reimbursements. By May 2023, the City estimated it would only receive $23.4 million in that fiscal year. However, the City closed the fiscal year with only $2.6 million. The City expected a delay in reimbursements because FEMA began prioritizing claims of jurisdictions that have not yet received funds.

Laguna Hospital Potential Loss of Federal Funding

The Laguna Honda Hospital and Rehabilitation Center ("Laguna Honda Hospital") is a skilled nursing facility owned and operated by the City through its Department of Public Health, serving up to 660 patients, most of whom are low income or extremely low income residents. On March 30, 2022, the City received notice from the Centers for Medicare and Medicaid Services ("CMS"), an agency within the federal Department of Health & Human Services ("DHHS") responsible for administering federal health care programs that, effective April 14, 2022, CMS was terminating its contract with the City for Medicare and Medicaid reimbursements for patients at the Laguna Honda Hospital. CMS's notice of termination of Laguna Honda Hospital's provider agreement for Medicare and Medicaid reimbursements relates to a series of incidents from July 2021 to March 30, 2022 that the Laguna Honda Hospital self-reported to the California Department of Public Health ("CDPH", the state agency with delegated authority to enforce all applicable regulations and federal conditions of participation for Medicare and Medicaid) and follow up surveys by CDPH and CMS. CDPH and CMS determined that Laguna Honda Hospital had not substantially complied with the CMS conditions of participation in the Medicare program. Out of the approximately $308.6 million fiscal year 2021-22 budget for operating the Laguna Honda Hospital, approximately $202.73 million is paid from reimbursements from CMS. The remaining portion of the budget is paid from the City's General Fund. CMS initially agreed to extend funding at least through November 13, 2022. On October 12, 2022, CMS agreed to extend Medicare and Medicaid payment for services through November 13, 2023, contingent on Laguna Honda meeting requirements aimed at making health and safety improvements at the facility.

On May 18, 2023, CMS, the City, and the California Department of Public Health reached an agreement in principle to settle ongoing administrative proceedings and federal court litigation. This settlement will allow Laguna Honda to continue to receive Medicare and Medicaid payments while addressing the quality improvements needed to ensure resident health and safety. As part of the settlement, CMS extended payments for Medicare and Medicaid services through March 19, 2024, contingent on Laguna Honda meeting requirements aimed at making health and safety improvements at the facility. During this period, Laguna Honda will continue to work on quality improvement efforts while aiming to reapply to participate in Medicare and/or Medicaid.

On August 16, 2023, California Department of Public Health and the state's Department of Health Care Services approved Laguna Honda's recertification for Medicaid, which means Laguna Honda will continue to receive Medicaid payments to provide health care coverage to low-income people. The reinstatement for Laguna Honda for the federal Medicare program is pending.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (the "Former Agency") was organized in 1948 by the Board of Supervisors 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.

As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), 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 agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

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 to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (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 to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that ABx1 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency. The Successor Agency exercises land use, development and design approval authority for the developed projects. The Successor Agency, in addition to other various City agencies and entities, also may issue community facilities district ("CFD") bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations. See also, Table A-33: "Statement of Direct and Overlapping Debt and Long-Term Obligations."

CITY INFRASTRUCTURE FINANCING DISTRICTS

San Francisco has formed numerous special financing districts in order to finance infrastructure improvements benefiting the public in newly developing areas of the City. Projects that may be financed by revenues from special finance districts include, but are not limited to streets, water and sewer systems, libraries, parks, and public safety facilities. Pursuant to California Government Code Section 53395 *et seq*. ("IFD Law"), the Board of Supervisors has formed Infrastructure Financing Districts and Infrastructure Revitalization Financing Districts (collectively "IFDs") within the geographic boundaries of the City.

Under the IFD Law, municipalities may fund improvements within the IFD geographic boundary. IFDs capture increases in property tax revenue stemming from growth in assessed value as a result of new development and use that revenue to finance infrastructure projects and improvements. Each district has its own plan of finance for the allocation and use of tax increment.

GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

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 taxable assessed value of 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 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value at the beginning of that fiscal year. The Controller also applies the tax rate factors, including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), and tax factors needed to repay voter-approved general obligation bonds on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects 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-6 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. Lingering impacts of the COVID-19 pandemic, which triggered business changes such as extended work-from-home policies that resulted in less demand for office spaces, and the substantial increases in borrowing costs (interest rates) resulted in a reduction in property values for certain asset classes in the City and may result in future reductions, which could be material.

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (“SFCOE”), SFCCD, Bay Area Air Quality Management District (“BAAQMD”), and San Francisco Bay Area Rapid Transit District (“BART”), all of which are legal entities separate from the City. See also, Table A-33: “Statement of Direct and Overlapping Debt and Long-Term Obligations.” 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 OCII, the successor agency to the San Francisco Redevelopment Agency, and a number of increment financing districts. 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 and a portion of administrative costs of the agency, reducing 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. OCII received $122.6 million of property tax increment in fiscal year 2022-23 for recognized obligations, diverting about $68.2 million that would have otherwise been apportioned to the City’s General Fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.15% for fiscal year 2022-23.

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TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2023-24
(000s)

Fiscal Year	Net Assessed [1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2008-09	$141,274,628	8.7%	$1.163	$1,702,533	$1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	307,712,666	2.7%	1.182	3,864,100	3,832,546	99.2%
2022-23	331,431,694	7.7%	1.180	4,067,270	4,032,813	99.2%
2023-24	343,913,585	3.8%	N/A	N/A	N/A	N/A

[1] 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 fiscal year 2022-23 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco.

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

At the start of fiscal year 2023-24, the total net assessed valuation of taxable property within the City was approximately $343.9 billion. Of this total, $326.4 billion (94.9%) represents secured valuations and $17.5 billion (5.1%) 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 the 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 the 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. Taxpayers can appeal the Assessor's determination of their property's assessed value, and 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 assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, partial reductions of up to approximately 30% of the assessed valuations appealed were 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, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly, and a similar trend is developing post-pandemic. For scale, in the wake of the Great Recession, the reductions in residential property assessed value reached upwards of $2 billion in 2010-11. The number of new assessment appeals filed as of September 30, 2022, which represented approximately 1.0% of all parcels in San Francisco, increased by approximately 10% from the number of new assessment appeals filed during the same period the prior year. As discussed later, the City is currently processing applications filed as of September 30, 2023 and expects that the number of appeal applications received during this most recent filing period will be more than double the amount the City received in the previous fiscal year.

The FY24 & FY25 Original Budget assumes the continuance of work from home patterns and interest rates currently affecting the City's businesses will result in declines in commercial assessed values in the City, and such declines could be material.

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 appeals reserve fund for fiscal years 2013-14 through 2022-23 are listed in Table A-7 below.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Reduction of Prior Years' Property Tax Revenues
General Fund
Fiscal Years 2013-14 through 2022-23
(000s)

Fiscal Year	Amount Reduced
2013-14	$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401
2018-19	30,071
2019-20	17,900
2020-21*	10,729
2021-22	16,479
2022-23	23,070

Source: Office of the Controller, City and County of San Francisco.
*Amount Reduced in FY 2020-21 and forward reflects both Teetered and non-teetered property tax amounts.

A property's annual assessed value is determined as of January 1 preceding the start of the fiscal year for which taxes are billed and paid. Under California's Proposition 13, a property's annual assessed value is the lesser of (1) its base year value (fair market value as of the date of change in ownership or completion of new construction), factored for inflation at no more than two percent per year; or (2) its fair market value as of January 1 of the year preceding the fiscal year for which property taxes are billed and paid. If a property's fair market value falls below its factored base year value, the reduced value is enrolled on a temporary basis (for one year) and is commonly referred to as a "Proposition 8" reduction, after the 1978 initiative. If a property receives a temporary "Proposition 8" reduction, the Assessor is required to annually review the property for a decline-in-value reduction for each subsequent January 1 lien date, until the time when the market value exceeds the property's factored base year value, at which point the Assessor reestablishes the factored base year value will be enrolled as the taxable value for that January 1 lien date.

Assessors in California have authority to use Proposition 8 ("Prop 8") criteria to apply reductions in valuation to classes of properties affected by any factors affecting market value. COVID-19's impact on San Francisco real property values first arose on the 2021 Assessment Roll, resulting in an almost 4-times increase in the total count of Prop 8 reductions granted compared to the 2020 Assessment Roll (up from 2,059 to 8,212) and more than 8-times increase in the value of the reductions (up from $272 million to $2.18 billion). The total count and value of Prop 8 reductions for the 2023 Assessment Roll were 5,326 and $1.7 billion, respectively.

The two most significant factors driving these changes for the 2021 and 2022 Assessment Rolls were reductions in value for hotel and condominium properties. In response to COVID-19, the Assessor's Office performed proactive reviews of commercial properties, which resulted in temporary reductions of $1.01 billion for 26 hotel properties on the 2021 Assessment Roll and $839 million for 15 hotel properties on the 2022 Assessment Roll. For the 2023 Assessment Roll, the Assessor's Office did not grant temporary reductions to these hotel properties. Condominiums accounted for the largest share of new reductions since the onset of the pandemic at over 70% of the total value of temporary reductions excluding hotels on the 2021 and 2022 Assessment Rolls and more than half of the total count for these years. For the 2023 Assessment Roll, condominiums accounted for a slightly lower percentage of total value of temporary reductions at 63% while remaining stable as a percentage of total count.

In addition to Prop 8 reductions, qualifying taxpayers seek adjustment of their property assessed values based on a variety of factors. Requests for changes can be motivated by real estate market conditions or other factors.

A qualifying taxpayer can seek assessed value adjustments from the Assessment Appeals Board ("AAB") or from the Assessor or both. Supplemental and Base Year Appeals are to establish a property's base value. Escape and Regular Appeals are filed to contest a property's value as of January 1. The majority of appeals filed are Regular Appeals. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If September 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely. The AAB generally is required to resolve appeals applications within two (2) years of filing, unless the applicant signs a waiver to extend the statutory period. Appeals may also be resolved when the Assessor and a property owner stipulate to a corrected value, which the AAB may approve, or reject and require a hearing in which it determines the value. Upon hearing a supplemental or base year appeal to establish a base value, the AAB may decide to increase, decrease, or not change an assessment. In the case of an escape or regular appeal, the AAB may lower the taxable value or maintain the factored base year value but cannot increase the value above the factored base year value. If an escape or regular appeal results in a change in value, the new assessed value will be used to determine the property taxes for the year that was appealed. Subsequently, each year, the Assessor examines the property to see if the market value has risen back to the Proposition 13 base year value, or higher, and if so, restores the Proposition 13 base year value. This does not apply to appeals to establish a property's base value.

The volume of appeals is not necessarily an indication of how many appeals will be heard or result in a property tax assessment reduction. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

As of June 30, 2023, the total number of open appeals before the AAB was 2,963 with 2,873 new applications filed in fiscal year 2022-23. As of June 30. 2023, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was $56.5 billion. Assuming the City did not contest any taxpayer appeals and the AAB upheld all the taxpayer's requests, a negative potential total property tax impact of about $668.4 million would result. The General Fund's portion of that potential $668.4 million would be approximately $314.2 million. As set forth in a November 2022 presentation by the AAB, potential tax impact of total appeal applications received as of September 30, 2022 in the Financial District, South of Market ("SOMA"), and Embarcadero neighborhoods was approximately $182 million. This describes the worst-case scenario in terms of potential negative revenue impacts for the purposes of illustration based on information as of September 30, 2022. In practice, the City has contested most taxpayer appeals. As such, actual reductions have historically been much lower than values asserted by appellant property owners and a majority of appeals are eventually withdrawn. Of the 2,580 appeals closed during fiscal year 2022-23 as of June 30, 2023, 1,858, or 72% of appeals, were withdrawn.

Nearly all the appeal applications filed during fiscal year 2020-21 challenged the assessed value of property for fiscal year 2020-21. However, because the assessed value of secured property for fiscal year 2020-21 was determined by the Assessor as of the January 1, 2020, lien date, which predated the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from fiscal year 2020-21 appeal applications. However, there was an increase in the number of appeals for fiscal year 2021-22 and a modest increase for fiscal year 2022-23. Appeals for the January 1, 2023 lien date (current values for fiscal year 2023-24) were due by September 15, 2023. The City is currently processing these applications and expects that the number of appeal applications received during this most recent filing period will be more than double the amount the City received in the previous fiscal year.

As discussed above, under Proposition 8, adopted by California voters in 1978, the Assessor's Office could on its own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again meets or exceeds the maximum assessed value calculated under Proposition 13, at which point the Proposition 13 factored base year value is restored.

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 BAAQMD and BART. The total tax levy for all taxing entities to end fiscal year 2022-23 was $3.8 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues in fiscal year 2022-23 (including supplemental and escape property taxes) the City received $2.5 billion in the General Fund and $330.2 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD received approximately $250.1 million and $47.0 million, respectively, and the local ERAF received $419.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received $122.6 million. The remaining portion was allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund was allocated about 47.2% of total property tax revenue before adjusting for the tax increment financing districts, VLF backfill shift, and excess ERAF.

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. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan 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-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

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TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2022-23
(000s)

Year Ended	Amount Funded
2013-14	$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567
2018-19	29,126
2019-20	31,968
2020-21	35,298
2021-22	35,951
2022-23	38,041

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, 2023 are shown in Table A-9. 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 Office of the Assessor-Recorder.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2023

Assessee[1]	Location	Parcel Number	Type	Total Assessed Value[2]	% Basis of Levy[3]
SUTTER BAY HOSPITALS[4]	1101 VAN NESS AVE	0695 007	Hospital	$2,779,736,804	0.807%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	Office	$1,876,176,439	0.545%
GSW ARENA LLC	1 WARRIORS WAY A	8722 026	Entertainment Comp	$1,516,088,360	0.440%
PARK TOWER OWNER LLC	250 HOWARD ST	3718 040	Office	$1,140,399,718	0.331%
KRE EXCHANGE OWNER LLC	1800 OWENS ST	8727 008	Office	$1,135,881,100	0.330%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	Office	$1,114,464,525	0.324%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	Office	$1,080,382,740	0.314%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	Office	$912,827,016	0.265%
SHR ST FRANCIS LLC	301 - 345 POWELL ST	0307 001	Hotel	$785,863,372	0.228%
SUTTER BAY HOSPITALS DBA CA PACIFIC MED[4]	3555 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	Hospital	$770,059,001	0.224%
				$13,111,879,075	3.806%

[1] Certain Parcels Fall within RDA Project Areas
[2] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year, TAV includes land & improvements, personal property, and fixtures. Values reflect information as of January 1, 2023, lien date.
[3] 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).
[4] Nonprofit Organization that is exempt from property taxes
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 countywide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formula are generally based on the distribution of taxes in the prior year. The fiscal year 2023-24 valuation of property assessed by the State Board of Equalization in San Francisco is approximately $4.4 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. The City's General Fund is also supported by other sources of revenue, including charges for services, fines and penalties, and transfers-in, which are not discussed below.

See Table A-10 below for a summary of revenue source as a percentage of total General Fund revenue based on the Original Budget for fiscal year 2023-24.

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TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
General Fund Revenue Overview
Fiscal Year 2023-24
(000s)

Revenues	**FY 2023-24 Original Budget**	
Property Taxes	$2,510,000	*39.2%*
Business Taxes	851,100	*13.3%*
Other Local Taxes	1,098,880	*17.2%*
Licenses, Permits and Franchises	30,291	*0.5%*
Fines, Forfeitures and Penalties	3,014	*0.0%*
Interest and Investment Income	121,071	*1.9%*
Rents and Concessions	14,571	*0.2%*
Intergovernmental	1,477,115	*23.1%*
Charges for Services	272,865	*4.3%*
Other	17,532	*0.3%*
Total Revenues	$6,396,439	*100.0%*

Other Local Taxes includes sales, hotel, utility users, parking, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

Business Taxes

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E (November 2012) changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, intending to replace the then existing 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 to 15,000. In November 2020, voters passed Proposition F, which eliminated the payroll tax and modified gross receipt tax rates. Most gross receipt tax rates increased by 40% for tax year 2021 over the prior year. Much smaller increases were scheduled for 2023 and 2024, should the City's taxable gross receipts in 2021 and 2022 reach at least 90% and 95%, respectively, of 2019 taxable gross receipts. The 2023 tax increase is suspended for one year because the City's 2021 taxable gross receipts did not reach the 90% threshold. In some industries that were particularly hurt during the pandemic, such as retail, trade and food services, tax rates were lowered through 2022 for gross receipts under $25 million. The measure also reduced business registration fees for businesses with less than $1 million in gross receipts and raised the small business exemption for gross receipts taxes to $2 million.

Pre-audit business tax revenue (gross receipts, payroll, and business registration) for fiscal year 2022-23 is $853.2 million for all funds, representing a decrease of $10.4 million (1.2%) from fiscal year 2021-22. The fiscal year 2023-24 original budget is $853.6 million, an increase of $0.5 million (0.1%) from fiscal year 2022-23 pre-audit actuals. The fiscal year 2024-25 original budget is $943.6 million, an increase of $90.0 million (10.5%) from the fiscal year 2023-24 budget.

Revenues from business tax and registration fees have generally followed economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency significantly adversely affected employment and wage growth, and the City's economic condition is still weak relative to pre-pandemic levels. The unemployment rate in the City peaked at 13.7% in April 2020. But, after a low of just under 2% in May 2022, the unemployment rate has increased to 3.6% in August 2023. Just prior to the start of the pandemic, there were approximately 580,000 employed residents in the City. After falling to a low of about 480,000 in April 2020, the number of employed residents rose to about 550,000 as of June 2023, which represents a decline of about 10,000 since the peak in November 2022.

Remote work occurring outside the City creates fiscal risk because, for certain categories of businesses, the gross receipts tax is dependent in part on their San Francisco payroll, and the firms only need to calculate their San Francisco payroll expense for employees that physically work within the City's geographic boundaries. Approximately half of the workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. Some of the City's largest employers in these sectors have indicated that employees may be able to work from home permanently or with a hybrid schedule.

According to polling data from WFH Research, in August 2023, employees preferred to work at home 2.75 days per week on average while employers' plans were for 2.25 days worked from home. This suggests that a hybrid work arrangement of in-office and at-home will be a permanent fixture of office work. Many major San Francisco employers, such as Salesforce and Google, have long-term plans for hybrid work. This dynamic is reflected in the fiscal year 2022-23 pre-audit actuals and fiscal year 2023-24 and 2024-25 original budget. See "BUDGETARY RISKS – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues."

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TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds [1]
Fiscal Years 2019-20 through 2024-25
(000s)

Fiscal Year[2]	Revenue	Change	Change %
2019-20	$824,670	($94,882)	-10.3%
2020-21	724,140	(100,530)	-12.2%
2021-22	863,510	139,370	19.2%
2022-23 pre-*audit*[3]	853,154	(10,356)	-1.2%
2023-24 *budgeted*[4]	853,600	446	0.1%
2024-25 *budgeted*[4]	943,600	90,000	10.5%

[1] Figures exclude Homelessness Gross Receipts, Commercial Rent, and Overpaid Executive taxes.

[2] Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals. Includes gross receipts and payroll taxes allocated to special revenue funds for the Community Challenge Grant program as well as business registration tax.

[3] Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

[4] Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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 to the City monthly. A quarterly tax-filing requirement is also imposed. Pre-audit hotel tax revenue in fiscal year 2022-23 is $283.5 million (all funds), an increase of $104.3 million (58.2%) from fiscal year 2021-22. The fiscal year 2023-24 original budget is $342.1 million, an increase of $58.6 million (20.7%) from fiscal year 2022-23. The fiscal year 2024-25 original budget is $382.5 million, an increase of $40.4 million (11.8%) from the fiscal year 2023-24 projection. Table A-12 includes hotel tax in all funds. Slightly less than 90% of the City's hotel tax is allocated to the General Fund, with 10.7% allocated to arts and cultural organizations and approximately $5 million for debt service on hotel tax revenue bonds.

Fiscal year 2022-23 hotel tax revenue performed better than fiscal year 2021-22, as leisure visits and convention activity continue to recover. Fiscal year 2022-23 enplanements at the San Francisco International Airport (SFO) increased by 34.6% from the prior year, as international and domestic enplanements improved by 101.0% and 20.2%, respectively. The return of conferences and conventions has played a key role in the recovery of hotel tax revenues, particularly because conventions drive up hotel tax room rates through compression pricing. In fiscal year 2021-22, a total of 23 conferences with over 126,000 attendees took place at the Moscone Convention Center. In fiscal year 2022-23, there were 33 conferences with over 266,000 attendees.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of occupancy and average daily room rates (ADR). In the first eight months of fiscal year 2019-20, RevPAR declined to $224.50. Due to the COVID-19 pandemic, associated flight bans, and shelter in place orders, RevPAR reached a historic all-time low of $14.40 in April 2020. RevPAR has steadily improved over the years. Annual average RevPAR in fiscal year 2021-22 was $108.77 and rose to $154.76 in fiscal year 2022-23 which was an improvement of $46.60 (or 43.1%).As traffic at SFO improves and conventions return to San Francisco, RevPAR is projected to continue rising. The projections for fiscal years 2023-24 and 2024-25 original budget assume annual average RevPAR will increase to $178.60 in fiscal year 2023-24 and $199.83 in fiscal year 2024-25.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds[1]
Fiscal Years 2019-20 through 2024-25
(000s)

Fiscal Year[2]	Tax Rate	Revenue	Change	
2019-20	14.0%	281,615	(132,728)	-32.0%
2020-21	14.0%	42,195	(239,420)	-85.0%
2021-22	14.0%	179,134	136,939	324.5%
2022-23 *pre-audit*[3]	14.0%	283,453	104,320	58.2%
2023-24 *budgeted*[4]	14.0%	342,067	58,614	20.7%
2024-25 *budgeted*[4]	14.0%	382,452	40,385	11.8%

[1] Amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which took effect January 1, 2019.
[2] Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals.
[3] Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.
[4] Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.
Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

Real property transfer tax ("RPTT") 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. After the passage of Proposition W on November 8, 2016, transfer tax rates were $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; $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million. After the passage of Proposition I in November 2020, transfer tax rates were doubled for the two highest tiers, to $55.00 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million and $60.00 per $1,000 for properties valued at more than $25.0 million.

Pre-audit RPTT revenue for fiscal year 2022-23 is $186.3 million, a $334.1 million (64.2%) decrease from fiscal year 2021-22. The fiscal year 2023-24 original budget is $222.0 million, an increase of $35.7 million (19.2%) from fiscal year 2022-23. The fiscal year 2024-25 original budget is $269.6 million, an increase of $47.7 million (21.5%) from prior year budget. The entirety of RPTT revenue is recorded in the General Fund.

Due to the highly progressive nature of the tax, the volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over $10 million. The overall number of transactions over $10 million dropped from 101 transfers in fiscal year 2021-22 to 55 transfers in fiscal year 2022-23, a 45.5% decline. Transfers under $10 million also declined by 33.4% year-over year. Additionally, fiscal year 2021-22 saw two large, once-in-a-generation transfers in the first six months of 2022, skewing prior year results. The effect of Proposition I in fiscal year 2021-22, which took effect in January 2021, is 47.0 million in fiscal year 2022-23. The fiscal year 2023-24 and 2024-25 forecasts slowly increase from fiscal year 2022-23 pre-audit results, anticipating slow increases in transfers as buyers and sellers begin to come into agreement about market prices of large real estate transactions. However, the interest rate environment and uncertainty around the value of office-based real estate with the shift to hybrid models of work is expected to continue to dampen the City's transfer tax receipts.

As the City's most volatile revenue source, RPTT collections can see large year-over-year changes that have exceeded 70% in some instances. The main factors creating volatility are sales of high-value properties, availability of financing, and the relative attractiveness of San Francisco real estate compared to global investment options, all of which track closely with economic cycles, as well as voter-approved rate changes, which occurred in 2008, 2010, 2016, and 2020. The volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over $25 million. In fiscal year 2008-09, transactions above $25 million would have generated only $10.6 million under the current rates compared to the peak in fiscal year 2016-17, when these transactions generated $295.8 million. Since the end of the recession in fiscal year 2009-10, these large transactions made up on average 58.0% of total revenue but only 0.6% of the transaction count. This means that revenue is determined by a small handful of transactions. In the two recessions prior to COVID, the taxes collected on large transactions fell dramatically.

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts - All Funds
Fiscal Years 2019-20 through 2024-25
(000s)

Fiscal Year[1]	Revenue	Change	
2019-20	334,535	(29,509)	-8.1%
2020-21	344,683	10,148	3.0%
2021-22	520,359	175,676	51.0%
2022-23 *pre-audit*[2]	186,247	(334,112)	-64.2%
2023-24 *budgeted*[3]	221,960	35,713	19.2%
2024-25 *budgeted*[3]	269,630	47,670	21.5%

[1] Figures for fiscal year 2019-20 through fiscal year 2021-22 are actuals.

[2] Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

[3] Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.6250%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). 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 components of San Francisco's 8.6250% sales tax rate are shown in Table A-14. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail under "INTERGOVERNMENTAL REVENUES" herein.

TABLE A-14

San Francisco's Sales & Use Tax Rate

State Sales Tax	**6.00%**
State General Fund	3.9375%
Local Realignment Fund 2011*	1.0625%
Local Revenue Fund*	0.50%
(to counties for health & welfare)	
Public Safety Fund (to counties & cities)*	0.50%
Local Sales Tax	**1.25%**
Local Sales Tax (to General Fund)*	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	**1.375%**
2020 Peninsula Corridor Joint Powers Board Transactions and Use Tax (JPBF)	0.125%
SF County Transportation Authority	0.50%
Bay Area Rapid Transit (BART)	0.50%
SF Public Financing Authority (Schools)	0.25%
TOTAL Sales Tax Rate	**8.625%**

* Represents portions of the sales tax allocated to the City.

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

The pre-audit local sales tax (the 1% portion) revenue in fiscal year 2022-23 is $197.9 million, an increase of $9.6 million (5.1%) from fiscal year 2021-22. The original budget for fiscal year 2023-24 is $200.0 million, an increase of $2.1 million (1.1%) from the fiscal year 2022-23 pre-audit actual. The fiscal year 2024-25 original budget is $205.2 million, an increase of $5.2 million (2.6%) from fiscal year 2023-24 original budget. The entirety of sales tax revenue is recorded in the General Fund.

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 and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point-of-sale purchases.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO

Sales and Use Tax Revenues

Fiscal Years 2019-20 through 2024-25

General Fund

(000s)

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2019-20	8.50%	1.00%	$180,184	($33,441)	-15.7%
2020-21	8.50%	1.00%	146,863	(33,321)	-18.5%
2021-22	8.625%	1.00%	188,337	41,474	28.2%
2022-23 *pre-audit*[2]	8.625%	1.00%	197,911	9,574	5.1%
2023-24 *budgeted*[3]	8.625%	1.00%	200,049	2,138	1.1%
2024-25 *budgeted*[3]	8.625%	1.00%	205,243	5,194	2.6%

1 Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals.

2 Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

3 Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax ("UUT") - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – As of July 1, 2022, a charge of $3.80 on every telecommunications line, $28.58 on every trunk line, and $514.49 on every high-capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.
- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Proposition V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Proposition D). The tax was originally slated to go into effect on January 1, 2021, but the Board has delayed the imposition of the tax several times. The cannabis tax will now take effect beginning January 1, 2026.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

- Overpaid Executives Tax – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses' highest-paid managerial employee compared to the median compensation paid to the businesses' employees based in the City exceeds a ratio of 100:1. The measure took effect on January 1, 2022 for tax year 2022, so revenues were first received in fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, large annual fluctuations in the value and form of executive compensation, which typically includes equity, and tax-avoidance risk associated with tax increases. Estimates based on prior years' activity may not be predictive of future revenues. Pre-audit actuals for fiscal year 2022-23 revenue is $206.0 million and the original budget for 2023-24 and 2024-25 is $100.0 million per year.

Table A-16 reflects the City's actual tax receipts for fiscal years 2010-20 through 2022-23 and original budget for fiscal years 2023-24 and 2024-25, respectively.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the pace of economic recovery. See "CITY BUDGET: Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter" for a summary of the most recent projections.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2019-20 through 2024-25
General Fund
(000s)

Tax	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Pre-audit[2]	2023-24 Budgeted[3]	2024-25 Budgeted[3]
Utility Users Tax	$94,231	$81,367	$105,225	$110,615	$112,544	$111,529
Access Line Tax	49,570	44,700	55,710	53,171	$57,210	57,660
Parking Tax	69,461	47,555	71,122	82,716	87,900	90,600
Sugar Sweetened Beverage Tax	13,182	10,435	11,973	12,870	13,740	13,740
Stadium Admissions Tax	2,730	182	4,615	5,984	9,100	10,100
Cannabis Tax	N/A	N/A	N/A	-	-	-
Franchise Tax	16,028	14,898	15,494	15,350	15,620	15,620
Overpaid Executives Tax	N/A	N/A	N/A	206,041	100,000	100,000

[1] Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals.
[2] Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.
[3] Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- 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.

- 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. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. 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.

Table A-17 reflects the City's actual receipts for fiscal years 2019-20 through 2022-23 and original budget for fiscal years 2023-24 and 2024-25. In fiscal year 2022-23, State-wide sales tax performed better than local sales tax; therefore, formula-driven subventions grew faster than local sales tax. The State temporarily backfilled county realignment revenues by $28.0 million in fiscal year 2020-21.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2019-120through 2024-25
($millions)

Tax	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Pre-audit[2]	2023-24 Budgeted[3]	2024-25 Budgeted[3]
Health and Welfare Realignment						
General Fund	$219.6	$188.9	$283.5	$290.7	$281.6	$290.7
Hospital Fund	54.1	48.1	67.1	67.9	64.4	64.4
Total - Health and Welfare	**$273.7**	**$237.1**	**$350.6**	**$358.6**	**$346.0**	**$355.1**
Backfill Realignment[4]						
General Fund		$22.1				
Non General Fund		6.0				
Total - Backfill Realignment		**$28.0**				
Public Safety Realignment (General Fund)	$41.1	$38.4	$52.1	$58.6	$51.6	$53.1
Public Safety Sales Tax (Prop 172) (General Fund)	$103.9	$105.0	$ 93.8	$ 94.9	$100.4	$102.8

1 Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals.

2 Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

3 Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

4 Backfill Realignment is a one-time State funding to fill the shortfall in Health and Welfare Realignment and Public Safety Realignment due to the decrease of sales tax and vehicle license fees.

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

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in Table A-18 below:

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2019-20 through 2024-25
(000s)

Major Service Areas	2019-20 Final Budget	2020-21 Final Budget	2021-22 Final Budget	2022-23 Original Budget[2]	2023-24 Original Budget[3]	2024-25 Original Budget[3]
Public Protection	$1,493,240	$1,505,780	$1,586,264	$1,675,801	$1,747,204	$1,779,540
Human Welfare & Neighborhood Development	1,270,530	218,986	1,571,761	1,576,410	1,604,163	1,615,373
Community Health	1,065,051	1,605,573	1,119,891	1,162,956	1,125,977	1,157,023
General Administration & Finance	332,296	1,158,599	353,518	338,055	345,406	357,335
Culture & Recreation	161,274	147,334	161,417	197,596	201,453	202,539
General City Responsibilities	137,851	332,997	156,892	226,931	184,513	237,146
Public Works, Transportation & Commerce	216,824	126,993	244,365	262,733	242,912	233,446
Total[2]	$4,677,066	$5,096,262	$5,194,108	$5,440,482	$5,451,628	$5,582,402

[1] Figures for fiscal year 2018-19 through fiscal year 2021-22, as reflected in ACFR.

[2] Fiscal year 2022-23 amount represent the Original Budget, adopted July 27, 2022. Final Revised Budget is pending completion of FY 2022-23 ACFR.

[3] Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds (which are not shown on the table above) 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 General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 reflects fiscal year 2023-24 and 2024-25 spending requirements as of the FY24 & FY25 Original Budget. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
FY 2023-24 and FY 2024-25
($millions)

	2023-24 Original Budget[1]	2024-25 Original Budget[1]
Projected General Fund Aggregate Discretionary Revenue (ADR)	***$4,492.4***	***$4,633.2***
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	$317.9	$328.1
MTA - Parking & Traffic Baseline: 2.507% ADR	$112.6	$116.2
MTA - Population Adjustment	$82.8	$91.7
MTA - 80% Parking Tax In-Lieu	$67.3	$70.3
Subtotal - MTA	**$580.6**	**$606.2**
Library Preservation Fund		
Library - Baseline: 2.286% ADR	$102.7	$105.9
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	$79.5	$79.4
Subtotal - Library	**$182.2**	**$185.3**
Children's Services		
Children's Services Baseline - Requirement: 4.830% ADR	$217.0	$223.8
Children's Services Baseline - Eligible Items Budgeted	221.0	244.6
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	26.1	26.9
Transitional Aged Youth Baseline - Eligible Items Budgeted	36.9	39.2
Public Education Services Baseline: 0.290% ADR	13.0	13.4
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	127.2	127.1
Public Education Enrichment Fund: 3.057% ADR	137.3	141.6
1/3 Annual Contribution to Preschool for All	45.8	47.2
2/3 Annual Contribution to SF Unified School District	91.6	94.4
Subtotal - Children's Services	**$535.5**	**$565.9**
Recreation and Parks		
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	$79.5	$79.4
Recreation & Parks Baseline - Requirement	82.2	85.2
Recreation & Parks Baseline - Budgeted	88.5	91.8
Subtotal - Recreation and Parks	**$168.1**	**$171.3**
Other		
Housing Trust Fund Requirement	$44.5	$47.3
Housing Trust Fund Budget	44.5	47.3
Dignity Fund	56.1	59.1
Street Tree Maintenance Fund: 0.5154% ADR	22.8	23.8
Municipal Symphony Baseline: $0.00125 per $100 NAV	4.3	4.4
City Services Auditor: 0.2% of Citywide Budget	26.0	25.8
Subtotal - Other	**$153.7**	**$160.3**
Recently Adopted Expenditure Requirements		
Our City, Our Home Baseline Requirement (Nov 2018 Prop C)	*215.0*	*215.0*
Our City, Our Home Budget, Estimated	393.1	388.5
Early Care and Education Baseline Requirement (June 2018 Prop C)	*93.2*	*97.1*
Early Care and Education Budget	*73.8*	*83.7*
Total Baselines and Set-Asides	**$2,087.0**	**$2,161.2**

[1] Fiscal year 2023-24 and 2024-25 amounts represent the Original Budget, adopted July 25, 2023.

EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $6.7 billion and $6.9 billion in fiscal years 2023-24 and 2024-25 in the Original Budget. For the General Fund, the combined salary and benefits Original Budget is $3.1 billion in each fiscal year.

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-employment health and medical benefits. SFUSD, SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's FY24 & FY25 Original Budget includes 40,453 full-time and part-time budgeted City positions. City workers are represented by 36 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021; the International Federation of Professional and Technical Engineers, Local 21; and the unions representing Police, Fire, Deputy Sheriffs, and Transit Workers.

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 City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

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 sworn police officers and fire fighters.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of an impasse. If an impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Registered Nurses and a small group of unrepresented employees, whose working conditions and compensation are established annually by ordinance. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

In 2023, the City negotiated a 2.5% base wage increase with labor organizations representing sworn members of the Police and Fire departments due on July 1, 2023 and 2.25% on January 6, 2024. For fiscal year 2024-2025, the parties agreed to a base wage increase of 3.0% on January 4, 2025 with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2024-25, as projected in the March 2024 Joint Report, exceeds $300 million. For fiscal year 2025-2026, the parties agreed to a base wage increase of 3.0% on July 1, 2025 with a provision to delay the increase by one year if the City's budget deficit for fiscal year 2025-26, as projected in the March 2025 Joint Report, exceeds $300 million. See "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary of the March Joint Report. For fiscal year 2023-24, the Unrepresented Employee Ordinance was passed approving a wage increase of 2.5% on July 1, 2023 and 2.25% on January 6, 2024.

In May 2022, the City negotiated two-year agreements (for fiscal years 2022-23 through 2023-24) with 27 labor unions. For fiscal year 2022-23, the parties agreed to a base wage increase of 5.25% on July 1, 2022. For fiscal year 2023-24, the parties agreed to a base wage increase schedule of 2.5% on July 1, 2023 and 2.25% on January 6, 2024, with a provision to delay the fiscal year 2023-24 increases by six months if the City's budget deficit for fiscal year 2023-24, as projected in the March 2023 Joint Report, exceeds $300 million. See "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary of the March Joint Report.

Also, in May 2022, the MTA negotiated two-year agreements (for fiscal years 2022-23 through 2023-24) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others, collectively referred to as Service-Critical. The parties agreed to the same wage increase schedule as provided in the City agreements, with the same wage deferral triggers.

In the Fall of 2023, the City and MTA plan to commence bargaining successor MOUs with 27 labor unions potentially with negotiated wage increases coming into effect on July 1, 2024.

On July 24, 2023, the California Public Employment Relations Board ("PERB") ruled in favor of the SEIU and IFPTE, concluding that City Charter sections A8.346 and A8.409 prohibiting strikes by City employees are invalid, affirming an earlier ruling of an administrative law judge that such City Charter provisions violate the Meyers-Milias-Brown Act. The City has filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. The City can give no assurance whether the appeal will be successful.

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TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of September 1, 2023

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	554	30-Jun-24
Bricklayers, Local 3	6	30-Jun-24
Building Inspectors’ Association	85	30-Jun-24
Carpenters, Local 22	115	30-Jun-24
Carpet, Linoleum & Soft Tile	4	30-Jun-24
Cement Masons, Local 300	43	30-Jun-24
Deputy Probation Officers’ Association (DPOA)	120	30-Jun-24
Deputy Sheriffs’ Association (DSA)	793	30-Jun-24
Electrical Workers, Local 6	1,047	30-Jun-24
Firefighters’ Association, Local 798	2,028	30-Jun-26
Glaziers, Local 718	14	30-Jun-24
Hod Carriers, Local 36	4	30-Jun-24
Ironworkers, Local 377	14	30-Jun-24
Laborers, Local 261	1,237	30-Jun-24
Municipal Attorneys’ Association (MAA)	510	30-Jun-24
Municipal Executives’ Association (MEA) Fire	12	30-Jun-26
Municipal Executives’ Association (MEA) Miscellaneous	1,752	30-Jun-24
Municipal Executives’ Association (MEA) Police	16	30-Jun-26
Operating Engineers, Local 3 Miscellaneous	68	30-Jun-24
Operating Engineers, Local 3 Supervising Probation	28	30-Jun-24
Pile Drivers, Local 34	27	30-Jun-24
Plumbers, Local 38	369	30-Jun-24
Police Officers’ Association (POA)	2,399	30-Jun-26
Professional and Technical Engineers, Local 21	7,394	30-Jun-24
Roofers, Local 40	13	30-Jun-24
SEIU, Local 1021, H-1	1	30-Jun-24
SEIU, Local 1021 Misc	13,609	30-Jun-24
SEIU, Local 1021 Nurses	1,868	30-Jun-24
SF City Workers United	145	30-Jun-24
SFDA Investigators Association	44	30-Jun-24
Sheet Metal Workers, Local 104	39	30-Jun-24
Sheriffs’ Supervisory and Management Association (MSA)	119	30-Jun-24
Stationary Engineers, Local 39	707	30-Jun-24
Teamsters, Local 853	192	30-Jun-24
Teamsters, Local 856, Multi	102	30-Jun-24
Teamsters, Local 856, Supervising Nurses	136	30-Jun-24
Theatrical Stage Emp, Local 16	34	30-Jun-24
TWU, Local 200	537	30-Jun-24
TWU, Local 250-A, Auto Service Work	134	30-Jun-24
TWU, Local 250-A, Miscellaneous	108	30-Jun-24
TWU, Local 250-A, Transit Fare Inspectors	45	30-Jun-24
TWU, Local 250-A, Transit Operator	2,670	30-Jun-24
Union of American Physicians and Dentists (UAPD)	212	30-Jun-24
Unrepresented Employees	94	30-Jun-24
Other	1,007	
	40,453	

San Francisco Employees' Retirement System

History and Administration

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

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as Chief Executive Officer and Chief Investment Officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2022 is 45,284, compared to 44,770 as of July 1, 2021. Active membership as of July 1, 2022 includes 11,066 terminated vested members and 1,019 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 California Public Employees' Retirement System ("CalPERS") and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 31,719 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-21 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2018 through July 1, 2022. The number of retirees supported by each active member can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the System. In particular, if the ratio of retirees to active members grows, it indicates that any actuarial losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. The ratio for SFERS had been relatively stable but increased modestly in 2021 and again in 2022 with the two-year decline in number of active members.

TABLE A-21

City and County of San Francisco
Employees' Retirement System
July 1, 2018 through July 1, 2022

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants		Retiree to Active Ratio
2018	33,946	8,123	1,060	43,129	29,965	*	0.88
2019	34,202	8,911	1,044	44,157	29,490		0.86
2020	34,521	9,478	1,071	45,070	30,128		0.87
2021	33,644	10,066	1,060	44,770	30,854		0.92
2022	33,199	11,066	1,019	45,284	31,719		0.96

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts are for the entire Retirement System and include non-City employees.
* Retiree member counts duplicated for members who have both a Safety and a Miscellaneous benefit.

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

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 December 9, 2020 Retirement Board meeting, the Board adopted all recommended demographic assumptions from the experience study dated August 12, 2020. The most significant adjustment was the update to the new Society of Actuaries public plan mortality tables, Pub-2010, for both general and safety members. The Board also adopted lower price and wage inflation rates, from 2.75% to 2.50% and from 3.50% to 3.25%, respectively. The new assumptions were first effective for the July 1, 2020 actuarial valuation. At the November 10, 2021 Board meeting, the Board lowered the assumed long-term investment earnings assumption from 7.40% to 7.20%, effective for the July 1, 2021 actuarial valuation. In the short term, this decrease is expected to result in increases in City contributions. In the long term, the true cost of a pension plan is determined by actual results and not by assumptions. At the November 17, 2022 Board meeting, the Board voted to maintain the actuarial assumptions at their current levels.

While 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. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, www.mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations 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.

Employer Contribution History and Annual Valuations

The fiscal year 2021-22 employer contribution rate was 24.41% (estimated to be 20.88% after cost-sharing). The 2021-22 fiscal year City employer contributions to the Retirement System were $729.0 million, which includes $423.4 million from the General Fund The fiscal year 2022-23 employer contribution rate is 21.35% (estimated to be 18.76% after cost-sharing), with a total budget of $707.7 million, which includes $434.3 million in the General Fund. The rate change reflects a reduction of the amortization period from twenty to five years, including investment gains from fiscal year 2020-21, offset by the drop in assumed investment return from 7.4% to 7.2% and the July 1, 2021 supplemental COLA to all retired members and their beneficiaries. Employer contribution rates anticipate annual increases in pensionable payroll of 3.25%. As discussed under "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions", increases in retirement costs are projected in the City's Five-Year Financial Plan.

Table A-22 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2017-18 through 2021-22. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "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 plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

TABLE A-22

City and County of San Francisco
Employees' Retirement System
July 1, 2018 through July 1, 2022
(Dollar amounts in 000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2018	$ 27,335,417	$ 24,557,966	$ 23,866,028	89.8%	87.3%	$ 983,763	23.46%
2019	28,798,581	26,078,649	25,247,549	90.6%	87.7%	1,026,036	23.31%
2020	29,499,918	26,620,218	26,695,844	90.2%	90.5%	1,143,634	25.19%
2021	31,905,275	35,673,834	30,043,222	111.8%	94.2%	1,245,957	26.90%
2022	33,591,565	32,798,524	32,275,474	97.6%	96.1%	1,191,934	24.41%

[1] Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C.
Employer contribution rates for fiscal years 2022-23 and 2023-24 are 21.35% and 18.24%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications.
The information on such website is not incorporated herein by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2022, the market percent funded ratio is slightly higher than the actuarial percent funded ratio, reflecting net asset gains not yet recognized in the smoothed actuarial value of assets. The Retirement System's investment portfolio had a -2.9% return during fiscal year 2021-22 following the 33.7% return during fiscal year 2020-21, the highest fiscal return in the System's history. The July 1, 2022 actuarial value of assets only reflects 20% of the negative 2021-22 return and 40% of the extraordinary 2020-21 return. Global markets remain volatile due to continued uncertainty about tighter monetary policy, rising rates, inflation, and geopolitical risk. Employer contribution rates are anticipated to continue to decline in the next two years.

The actuarial accrued liability is measured 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. The most recent actuarial audit was completed in July 2023.

Risks to City's Retirement Plan

In its July 2022 actuarial report, Cheiron identified three primary risks to the System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental COLA risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future supplemental COLAs to increase contribution rates.

Supplemental COLAs are mandated by the Charter when investment returns exceed expectations. If the pension plan is less than fully funded on a market-value basis, certain groups of retirees may not receive a supplemental COLA at all or their supplemental COLA may be limited. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a supplemental COLA when granted typically represents a 1.5% increase in benefit.

Cheiron's July 2022 report provides stress testing of the supplemental COLA provision and shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk with contributions remaining very close to baseline and a relatively stable funded status.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only supplemental COLAs that have already been granted as of the valuation date.

Table A-23 below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-23

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2017-2018 through 2021-2022
(Dollar amounts in 000s)

As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate %	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2018	$ 28,840,673	7.50%	$ 24,557,966	85.2%	$ 4,993,365	$ 4,030,207
2019	30,555,289	7.40%	26,078,649	85.3%	4,476,640	4,213,807
2020	32,031,018	7.40%	26,620,218	83.1%	5,410,800	5,107,271
2021	33,088,765	7.40%	35,673,834	107.8%	(2,585,069)	(2,446,563)
2022	35,489,639	7.20%	32,798,524	92.4%	2,691,115	2,552,997

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Trial Courts)

NPL can be quite volatile. The increase in NPL between fiscal year-ends 2018 and 2019 is attributable to the decline in discount rate from 7.5% to 7.4%, while the increase in NPL at fiscal year-end 2020 is due to lower-than-expected investment returns. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during that year, while the increase at fiscal year-end 2022 is due to both the -2.9% return and also to a reduction in discount rate from 7.4% to 7.2%.

Asset Management

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 assets, absolute return strategies (including hedge funds), and an array of alternative investments including private equity, venture capital limited partnerships, and private credit.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2022 was 9.83%. For the ten-year and twenty-year periods ending June 30, 2022, annualized investment returns were 9.90% and 8.28% respectively.

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) 487-7000. These documents are not incorporated herein by reference.

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.

The most recent amendment, Proposition A, was approved by voters in November 2022. This amendment made certain retirees who commenced benefits before November 6, 1996 eligible for a supplemental COLA even if SFERS is not fully funded. For these retirees, in years when SFERS is not fully funded, the supplemental COLA would be limited to $200 per month for retirees who have an annual pension of more than $50,000.

Proposition C was approved by voters in November 2011 to reduce future pension costs and introduced new benefit tiers effective for employees hired on and after January 7, 2012.

In August 2012, then-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.

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2022, the audited market value of Retirement System assets was $32.8 billion. As of July 31, 2023, the unaudited value of the System assets was $34.5 billion. These values represent, 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 lower or higher. 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. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS were $52.0 million in fiscal year 2021-22. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020; $5.0 million in fiscal year 2021-22; and $16.7 million in fiscal year 2022-23 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits" and "GASB 75 Reporting Requirements."

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical and COBRA 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 San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court; however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service System Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website at sfhss.org, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"), which apply to OPEB trust funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. The survey is commonly called the 10-County Average Survey and is 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." The "average contribution" is used to calculate the City's required contribution to the Health Service System Trust Fund for retirees.

Unions representing the majority of City employees negotiate through collective bargaining rather than applying the "average contribution" to determine the amount the City is required to contribute for active employees. 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 SFHSS Beneficiaries. 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 San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under *"– Post-Employment Health Care Benefits."*

City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the Table below.

Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009	
Years of Credited Service at Retirement	Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3)
Less than 5 years of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) **(A8.428 Subsection (b)(6))**	0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage
At least 10 but less than 15 years of Credited Service with the Employers **(AB.428 Subsection (b)(5))**	50%
At least 15 but less than 20 years pf Credited Service with the Employers **(AB.428 Subsection (b)(5))**	75%
At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(AB.428 Subsection (b)(4))**	100%

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA; however full repeal has been unsuccessful thus far.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes and the current status are as follow:

- **Excise Tax on High-cost Employer-sponsored Health Plans**
  The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. The National Defense Authorization Act for Fiscal Year 2020 repealed the Cadillac tax, effective January 1, 2020.

- **Health Insurance Tax ("HIT")**
  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully insured plans in the form of higher premiums. The HIT was in effect in 2020 and substantially impacted rates. The tax was repealed effective January 1, 2021 also by the National Defense Authorization Act for Fiscal Year 2020.

- **Medical Device Excise Tax**
  The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute ("PCORI") Fee**
  Congress revived and extended the PCORI fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee applies to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2021-22, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $861 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $732 million; approximately $211 million of this $732 million amount was for health care benefits for approximately 23,395 retired City employees and their eligible dependents, and approximately $520 million was for benefits for approximately 31,229 active City employees and their eligible dependents.

The 2022 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 1.4%, which is below national trends of 4.7% to 5.7%. This can be attributed to several factors including contracting by SFHSS that maintains competition among the health plans, implementing value-based models such as Accountable Care Organizations, use of generic prescription, and implementing flex-funded plans using narrow networks. Flex-funding eliminates the typical margins added by health plans; however, more risk is assumed by the city, and reserves are required to protect against this risk.

Post-Employment Health Care Benefits

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 these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and reached the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2022 is approximately $739.9 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

GASB 75 Reporting Requirements

In June 2015, GASB issued GASB 75. GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for fiscal year 2017-18. According to GASB's Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of the measurement date of June 30, 2021 (issued January 2023), used in the most recent actuarial valuation report updated to June 30, 2021, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 16.3%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of $718.8 million divided by the total OPEB liability of $4.4 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was $3.96 billion, and the ratio of the Net OPEB liability to the covered payroll was 93.3%.

While GASB 75 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 liability. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis. For example, for fiscal year 2021-22 the annual OPEB expense was $272.0 million, and the City paid $252.9 million, which includes "pay-as-you-go" benefit payments and contributions to the Retiree Health Care Trust Fund.

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TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2015-16 to 2021-22
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2015-16	$326,133	51.8%	$2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18[1]	355,186	57.4%	3,717,209
2018-19	320,331	68.2%	3,600,967
2019-20	330,673	71.4%	3,915,815
2020-21	320,684	76.7%	3,823,335
2021-22	272,001	93.0%	3,691,121

1 Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

Total City Employee Benefits Costs

Table A-25 provides historical and budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-25 below provides a summary of the City's employee benefit actual costs for fiscal years 2018-19 through 2021-22 and budgeted costs for fiscal years 2022-23 through 2023-24.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2018-19 through 2023-24
(000s)

	2018-19 Actual[1]	2019-20 Actual[1]	2020-21 Actual[1]	2021-22 Actual[1]	2022-23 Unaudited[4]	2023-24 Budget[5]
SFERS and PERS Retirement Contributions	$650,011	$759,933	$823,317	$771,705	$753,590	$685,222
Social Security & Medicare	$219,176	$231,557	$229,044	$241,735	$259,415	$289,837
Health - Medical + Dental, active employees [2]	$522,006	$555,780	$564,453	$570,262	$582,189	$644,225
Health - Retiree Medical [2]	$186,677	$196,641	$216,916	$222,556	$215,885	$239,051
Other Benefits [3]	$26,452	$28,493	$24,111	$20,766	$19,084	$76,761
Total Benefit Costs	$1,604,322	$1,772,403	$1,857,841	$1,827,024	$1,830,164	$1,935,097

[1] Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are from the Final Budget, July 30, 2022.
[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
[4] Figures for fiscal year 2022-23 represent pre-audit actuals as of August 22, 2023.
[5] Figures for fiscal year 2023-24 reflect the budget adopted July 25. 2023.
Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (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. A complete copy of the Treasurer's Investment Policy, dated May 2021, is included as an Appendix to this Official Statement.

Investment Portfolio

As of August 31, 2023, the City's surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of August 31, 2023

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$3,525,000,000	$3,520,123,490	$3,292,257,750
Federal Agencies	7,088,706,000	7,082,860,076	6,864,995,951
Public Time Deposits	40,000,000	40,000,000	40,000,000
Negotiable Certificates of Deposit	2,130,000,000	2,130,000,000	2,128,770,500
Commercial Paper	221,000,000	215,755,293	215,825,060
Money Market Funds	1,688,716,031	1,688,716,031	1,688,716,031
Supranationals	636,156,000	638,346,137	613,707,526
Total	$15,329,578,031	$15,315,801,028	$14,844,272,818

August Earned Income Yield: 3.053%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, MaxQ Analytics

TABLE A-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of August 31, 2023

Maturity in Months			Par Value	Percentage
0	to	1	2,415,339,031	15.76%
1	to	2	715,426,000	4.67%
2	to	3	350,000,000	2.28%
3	to	4	597,000,000	3.89%
4	to	5	637,856,000	4.16%
5	to	6	391,155,000	2.55%
6	to	12	2,708,114,000	17.67%
12	to	24	3,449,645,000	22.50%
24	to	36	2,550,415,000	16.64%
36	to	48	1,412,128,000	9.21%
48	to	60	102,500,000	0.67%
			$15,329,578,031	100.00%

Weighted Average Maturity: 477 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, Clearwater Analytics-Inventory Control Prograı

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.

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 10-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 makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. 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 10-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 and other funding needs over 10 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 years 2024-2033 Capital Plan ("Adopted Capital Plan") was approved by the CPC on February 27, 2023 and was adopted by the Board of Supervisors on May 9, 2023. The Adopted Capital Plan contains $41.4 billion in capital investments over the coming decade for all City departments, including $5.8 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes $2.2 billion for

General Fund pay-as-you-go capital projects over the next 10 years. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects, and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $2.7 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. 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 Adopted Capital Plan recommends over $19.0 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as SFMTA facilities, seawall strengthening, terminal 1 and 3 upgrades at San Francisco International Airport, water, sewer, and power enterprise improvements, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $8.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by general obligation bonds, federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's Adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $6.7 billion in capital needs including enhancements are deferred from the plan's horizon.

Failure to make the capital improvements and repairs recommended in the City's Adopted 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 – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of September 15, 2023, the City had approximately $2.6 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-33.

Table A-28 shows the annual amount of debt service payable on the City's outstanding GO bonds.

TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO

General Obligation Bonds Debt Service

As of September 15, 2023 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2023-24	$179,681,206	$104,757,786	$284,438,992
2024-25	181,456,476	96,440,893	277,897,368
2025-26	168,786,279	88,136,881	256,923,160
2026-27	175,770,840	80,526,427	256,297,268
2027-28	182,379,035	72,846,056	255,225,091
2028-29	184,666,751	65,193,554	249,860,305
2029-30	183,105,095	57,164,224	240,269,319
2030-31	148,541,950	49,359,783	197,901,733
2031-32	154,120,000	43,478,084	197,598,084
2032-33	123,215,000	37,554,013	160,769,013
2033-34	105,695,000	32,904,522	138,599,522
2034-35	99,905,000	29,134,895	129,039,895
2035-36	85,135,000	25,681,630	110,816,630
2036-37	74,915,000	22,738,763	97,653,763
2037-38	66,450,000	20,149,611	86,599,611
2038-39	48,340,000	17,815,652	66,155,652
2039-40	48,355,000	16,131,920	64,486,920
2040-41	43,040,000	14,422,231	57,462,231
2041-42	44,675,000	12,790,188	57,465,188
2042-43	46,380,000	11,078,137	57,458,137
2043-44	48,165,000	9,296,299	57,461,299
2044-45	50,020,000	7,438,235	57,458,235
2045-46	46,575,000	5,506,630	52,081,630
2046-47	13,465,000	3,713,546	17,178,546
2047-48	14,040,000	3,137,495	17,177,495
2048-49	5,345,000	2,535,881	7,880,881
2049-50	5,530,000	2,354,712	7,884,712
2050-51	5,725,000	2,159,925	7,884,925
2051-52	5,935,000	1,950,338	7,885,338
2052-53	6,155,000	1,732,790	7,887,790
2053-54	6,380,000	1,506,973	7,886,973
2054-55	6,610,000	1,272,671	7,882,671
2055-56	6,855,000	1,029,667	7,884,667
2056-57	7,110,000	777,438	7,887,438
2057-58	7,370,000	515,551	7,885,551
2058-59	3,895,000	243,790	4,138,790
2059-60	4,010,000	123,668	4,133,668
TOTAL [4]	**$2,587,797,632**	**$943,600,858**	**$3,531,398,490**

[1] This table only includes the City's General Obligation Bonds and does not include any of the overlapping debt as shown in Table A-33.

[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 assessed value.

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

Authorized but Unissued City GO Bonds

Certain GO 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 ("1992 Proposition A") which authorized the issuance of up to $350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued $89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the "1992A/2016A Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In 2019 and 2020, the City issued $175.0 million of bonds across two series under the 1992A/2016A Propositions. Currently $85.7 million remains authorized and unissued.

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. In 2020 and 2023, the City issued the first two series of bonds in the principal amount of $88.7 million, leaving $336.3 million authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. In 2021 and 2023, the City issued the first two series of bonds in the principal amount of $425.4 million, leaving $174.6 million authorized and unissued.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to $628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. In 2021, the City closed the first four series of bonds with a total principal amount of $167.8 million, leaving $460.7 million authorized and unissued.

In November 2020, voters approved Proposition A ("2020 Health and Recovery Bond"), which authorized the issuance of up to $487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. In 2021 and 2023, the City issued the first three series of bonds in an aggregate principal amount of $287.3 million, leaving approximately $200.2 million authorized and unissued.

Refunding General Obligation Bonds

The Board of Supervisors has adopted and the Mayor has approved three different resolutions (the "Refunding Resolutions") authorizing the issuance of approximately $3.8 billion in aggregate of general obligation refunding bonds in one or more series. Resolution No. 272-04 (approved in May 2004) authorized the issuance of $800.0 million to refund all or a portion of the City's outstanding General Obligation Bonds. Resolution No. 448-11 (approved in November 2011) authorized the issuance of approximately $1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. Resolution No. 097-20 (approved in March 2020) authorized the issuance of approximately $1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. The refunding bonds outstanding as of September 15, 2023, under the Refunding Resolutions, are shown in Table A-29 below.

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of September 15, 2023

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2015-R1	February 2015	$293,910,000	$164,190,000 [1]
2020-R1	May 2020	195,250,000	154,940,000 [2]
2021-R1	May 2021	91,230,000	75,990,000 [3]
2021-R2	September 2021	86,905,000	43,585,000 [4]
2022-R1	May 2022	327,300,000	302,060,000 [5]

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

[2] Series 2008-R1 Bonds were refunded by the 2020-R1 Bonds in May 2020.

[3] Series 2013A, 2013B, and 2013C Bonds were refunded by the 2021-R1 Bonds in May 2021.

[4] Series 2011-R1 Bonds, which refunded the 2004-R1 Bonds, were refunded by the 2021-R2 Bonds in September 2021.

[5] Series 2012D, 2012E, 2014A, 2014C, and 2014D Bonds were refunded by the 2022-R1 Bonds in May 2022.

Table A-30 on the following page lists for each of the City's voter-authorized general obligation bond programs, the amounts 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 September 15, 2023, the City had authorized and unissued general obligation bond authority of approximately $1.3 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of September 15, 2023[1]

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	-	
			2007A	$30,315,450	$12,172,632	[2]
			2015A	$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	$72,420,000	$68,700,000	
			2020C	$102,580,000	$93,580,000	$85,684,550
Clean & Safe Neighborhood Parks	2/5/08	$185,000,000	2008B	$42,520,000	-	
			2010B	$24,785,000	-	
			2010D	$35,645,000	$24,190,000	
			2012B	$73,355,000	-	
			2016A	$8,695,000	$5,735,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	$887,400,000	2009A	$131,650,000	-	
			2010A	$120,890,000	-	
			2010C	$173,805,000	$117,950,000	
			2012D	$251,100,000	-	
			2014A	$209,955,000	-	-
Earthquake Safety and Emergency Response Bond	6/8/10	$412,300,000	2010E	$79,520,000	-	
			2012A	$183,330,000	-	
			2012E	$38,265,000	-	
			2013B	$31,020,000	-	
			2014C	$54,950,000	-	
			2016C	$25,215,000	$17,190,000	-
Road Repaving & Street Safety	11/8/11	$248,000,000	2012C	$74,295,000	-	
			2013C	$129,560,000	-	
			2016E	$44,145,000	$30,095,000	-
Clean & Safe Neighborhood Parks	11/6/12	$195,000,000	2013A	$71,970,000	-	
			2016B	$43,220,000	$18,620,000	
			2018A	$76,710,000	$37,480,000	
			2019B	$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	$400,000,000	2014D	$100,670,000	-	
			2016D	$109,595,000	$58,000,000	
			2018C	$189,735,000	$116,640,000	-
Transportation and Road Improvement	11/4/14	$500,000,000	2015B	$67,005,000	$33,740,000	
			2018B	$174,445,000	$85,235,000	
			2020B	$135,765,000	$100,450,000	
			2021C-1	$104,785,000	$83,230,000	
			2021C-2	$18,000,000	-	-
Affordable Housing Bond	11/3/15	$310,000,000	2016F	$75,130,000	$38,780,000	
			2018D	$142,145,000	$85,790,000	
			2019C	$92,725,000	$21,845,000	-
Public Health and Safety Bond	6/7/16	$350,000,000	2017A	$173,120,000	$96,445,000	
			2018E	$49,955,000	$31,030,000	
			2020D-1	$111,925,000	$77,650,000	
			2020D-2	$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	$425,000,000	2020A	$49,675,000	-	
			2023B	$39,020,000	-	$336,305,000
Affordable Housing Bond	11/5/19	$600,000,000	2021A	$254,585,000	$168,425,000	
			2023C	$170,780,000	$107,025,000	$174,635,000
Earthquake Safety and Emergency Response Bond	3/3/20	$628,500,000	2021B-1	$69,215,000	$64,335,000	
			2021B-2	$11,500,000	-	
			2021E-1	$74,090,000	$59,520,000	
			2021E-2	$13,000,000	-	$460,695,000
Health and Recovery Bond	11/4/20	$487,500,000	2021D-1	$194,255,000	$164,395,000	
			2021D-2	$64,250,000	-	
			2023A	$28,785,000	$28,785,000	$200,210,000
SUBTOTAL		$5,978,700,000		$4,721,170,450	$1,847,032,632	$1,257,529,550

General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2015-R1	2/25/15			$293,910,000	$164,190,000	
Series 2020-R1	5/7/20			$195,250,000	$154,940,000	
Series 2021-R1	5/6/21			$91,230,000	$75,990,000	
Series 2021-R2	9/16/21			$86,905,000	$43,585,000	
Series 2022-R1	5/18/22			$327,300,000	$302,060,000	
SUBTOTAL				$994,595,000	$740,765,000	
TOTALS		**$5,978,700,000**		**$5,715,765,450**	**$2,587,797,632**	**$1,257,529,550**

[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] Bonds ."

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

General Fund Lease 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 financings 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-31 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of September 15, 2023.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO

Lease Revenue Bonds and Certificates of Participation

As of September 15, 2023[1 2]

Fiscal Year	Principal	Interest [3]	Annual Payment Obligation
2023-24[4]	$63,736,503	$57,417,142	$121,153,645
2024-25	74,653,037	58,067,122	132,720,159
2025-26	75,198,229	54,445,064	129,643,293
2026-27	75,603,731	50,749,535	126,353,267
2027-28	70,855,000	47,156,600	118,011,600
2028-29	74,115,000	43,689,945	117,804,945
2029-30	77,340,000	40,220,141	117,560,141
2030-31	70,485,000	36,975,914	107,460,914
2031-32	63,590,000	34,282,816	97,872,816
2032-33	64,685,000	31,871,841	96,556,841
2033-34	67,135,000	29,260,160	96,395,160
2034-35	60,275,000	26,761,447	87,036,447
2035-36	60,515,000	24,174,242	84,689,242
2036-37	60,190,000	21,538,229	81,728,229
2037-38	62,625,000	18,910,664	81,535,664
2038-39	65,160,000	16,175,156	81,335,156
2039-40	67,805,000	13,324,472	81,129,472
2040-41	70,555,000	10,357,468	80,912,468
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL [5]	**$1,411,226,500**	**$644,372,769**	**$2,055,599,269**

[1] Includes privately placed lease purchase financings and excludes the 833 Bryant lease and commercial paper.

[2] Actual payment dates are used to project outstanding payment obligations.

[3] Totals reflect rounding to nearest dollar.

[4] Excludes payments made to date in current fiscal year.

[5] 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 6.0%. These bonds are in variable rate mode.

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

Voter-Approved Lease Revenue Bonds

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 F, which authorizes the City to lease finance (without limitation as to maximum aggregate principal 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 additional bonds at this time.

In 1990, voters approved Proposition C ("1990 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. 1990 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 July 1, 2023, the total authorized and unissued amount for such financings was $100 million. There is no current plan to issue additional bonds at this time.

In 1994, voters approved Proposition B ("1994 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 1994 Proposition B lease revenue bonds, respectively, leaving $14.1 million in remaining authorization. There is no current plan to issue additional series of bonds under 1994 Proposition B.

In 2000, voters approved Proposition C ("2000 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"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

In 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two and one-half cent per $100.0 in assessed valuation property tax set-aside and established a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. In August 2018 the City issued refunding lease revenue bonds to refund Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-32 below lists the City's outstanding certificates of participation, lease purchase financings, and voter-authorized lease revenue bonds.

TABLE A-32

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds[1]
As of September 15, 2023

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	129,550,000
Refunding Series 2011A (Moscone Center South)	2024	23,105,000	2,340,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	27,815,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	19,935,000
Refunding Series 2014-R2 (Juvenile Hall Project)	2034	33,605,000	21,395,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	110,250,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	1,255,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	97,940,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	9,750,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	24,595,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	358,170,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	240,545,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	84,870,000
Refunding Series 2020-R1 (Multiple Capital Improvement Projects)	2033	70,640,000	62,785,000
Series 2020 (Animal Care & Control Project)	2041	47,075,000	43,990,000
Series 2021A (Multiple Capital Improvement Projects)	2041	76,020,000	73,440,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		**$1,539,525,000**	**$1,313,455,000**
LEASE PURCHASE FINANCINGS			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$5,387,856
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	12,618,644
SUBTOTAL LEASE PURCHASE FINANCINGS		**$56,733,625**	**$18,006,500**
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	$72,670,000	$25,400,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	25,400,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	1,985,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	19,600,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	7,380,000
SUBTOTAL LEASE REVENUE BONDS		**$215,925,000**	**$79,765,000**
TOTAL GENERAL FUND OBLIGATIONS		**$1,812,183,625**	**$1,411,226,500**

1 Excludes commercial paper and California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) ($26,985,000)

Board Authorized and Unissued Long-Term Certificates of Participation

Certain issuances below have been authorized as supplements to a lease ("Master Lease"), which currently supports the City's outstanding Certificates of Participation ("COPs"), Series 2012A, Series 2019-R1, Series 2020-R1, and Series 2021A, by and between the City and a third-party trustee, currently U.S. Bank National Association. Properties leased pursuant to the Master Lease currently include the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco, and the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno.

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates.

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) authorized under the Master Lease to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City has issued commercial paper to finance these projects and is paying down its commercial paper balance rather than issuing long-term certificates at this time.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $62.0 million principal amount of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) authorized under the Master Lease to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City funded $4.6 million in project fund and related financing costs related to this authorization for the 444 Sixth Street acquisition as part of the Certificates of Participation, Series 2021A. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

HOPE SF Project: In December 2019, the Board authorized, and the Mayor approved the issuance of not to exceed $83.6 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the first long-term COPs under this authorization in fiscal year 2024-25.

Department of Public Health Facilities Improvements: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed $157.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance projects for the Department of Public Health ("DPH"), including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the long-term COPs in fiscal year 2024-25.

Critical Repairs and Recovery Stimulus (FY2022): In July 2021, the Board authorized and the Mayor approved the issuance of not to exceed $67.5 million of City and County of San Francisco Certificates of

Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local economic stimulus projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Critical Repairs, Recovery Stimulus and Street Repaving Projects (FY2023): In July 2022, the Board authorized and in August 2022 the Mayor approved the issuance of not to exceed $140.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of (a) street repaving and reconstruction, (b) critical repairs, including renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and (c) local economic stimulus projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Affordable Housing and Community Development Projects: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed $146.8 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvement, affordable housing and community facility development projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Refunding Certificates of Participation: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed $275 million of City and County of San Francisco Refunding Certificates of Participation authorized under the City's Master Lease, to refund the following outstanding COP series: i) Series 2012A (Multiple Capital Improvement Project) COPs, currently outstanding in the aggregate principal amount of $27,815,000 under the Master Lease; ii) Refunding Series 2014-R2 (Juvenile Hall Project) COPs, currently outstanding in the aggregate principal amount of $21,395,000; iii) Series 2015A (War Memorial Veterans Building) COPs, currently outstanding in the aggregate principal amount of $110,250,000; and iv) Refunding Series 2015-R1, currently outstanding in the aggregate principal amount of $97,940,000. The Refunding COPs may refund one or more series of the authorized outstanding COPs, subject to market conditions and the City's ability to achieve minimum savings thresholds.

Critical Repairs and Street Repaving Projects (FY2024): In September 2023 the Board authorized and the Mayor approved the issuance of not to exceed $77.2 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City anticipates beginning to issue commercial paper to finance the projects in fiscal year 2023-24.

Commercial Paper Program

In March 2009, the Board authorized and the Mayor approved 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 "Original CP Program"). In July of 2013, the Board authorized, and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million.

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. 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.

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by a $150 million revolving credit agreement with Wells Fargo, which expires in March 2026.

The Series 3 and 3-T and 4 and 4-T are secured by a $100 million revolving letter of credit issued by Bank of the West, which expires in April 2026.

As of September 15, 2023, the outstanding principal amount of CP Notes is $40.5 million. The interest rate for the $20.1 million outstanding tax-exempt CP Notes is 2.95%. The interest rate for the $20.3 million outstanding taxable CP Notes is 5.50%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program includes the Housing Trust Fund, HOPE SF, DPH Facilities Improvements, Critical Repairs & Recovery Stimulus, and Hall of Justice Relocation Project - Tenant Improvements. Additionally, there is a short-term financing for Police Vehicle acquisition utilizing the City’s CP Program and is expected to be paid down over time. The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	**CP Notes Liability as of 9/15/2023**
Housing Trust Fund	$16,886,789
HOPE SF	3,398,233
DPH Facilities Improvements	14,620,365
Critical Repairs & Recovery Stimulus	4,796,306
Police Vehicle Acquisition	684,793
HOJ Relocation – Tenant Improvements	93,424
TOTAL	**$40,480,000**

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of September 15, 2023, sold in the public capital markets, except for those financings otherwise noted in the table, 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.

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TABLE A-33

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of September 15, 2023

<u>2023-24 Assessed Valuation</u> (includes unitary utility valuation):	$344,487,688,208 [1]
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	$2,587,797,632
San Francisco Unified School District	1,028,650,000
San Francisco Community College District	396,900,000
TOTAL GENERAL OBLIGATION BONDED DEBT	$4,013,347,632
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	$1,411,226,503
TOTAL LEASE OBLIGATION BONDED DEBT	$1,411,226,503 [2]
TOTAL COMBINED DIRECT DEBT	$5,424,574,135
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (33.728%)	$824,843,536
San Francisco Community Facilities District No. 6	106,937,949
San Francisco Community Facilities District No. 7	29,215,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,198,152
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	569,220,000
San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2	83,025,000
San Francisco Special Tax District No. 2020-1 Mission Rock Facilities	106,230,000
City of San Francisco Assessment District No. 95-1	205,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	8,175,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,475,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,595,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$1,737,119,637
<u>OVERLAPPING TAX INCREMENT DEBT:</u>	
Successor Agency to the San Francisco Redevelopment Agency	$783,288,007
Transbay Joint Powers Authority	234,035,000
TOTAL OVERLAPPING INCREMENT DEBT	$1,017,323,007
<u>OVERLAPPING TAX INCREMENT REVENUE DEBT:</u>	
San Francisco Infrastructure and Revitalization Financing District No. 1	$28,925,000
TOTAL OVERLAPPING INCREMENT DEBT	$28,925,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$8,207,941,779 [3]
<u>Ratios to 2023-24 Assessed Valuation ($344,487,688,208)</u>	**Actual Ratio**
Direct General Obligation Bonded Debt ($4,013,347,632)	1.17% [4]
Combined Direct Debt ($5,424,574,135)	1.57%
Total Direct and Overlapping Bonded Debt	2.38%
<u>Ratio to 2023-24 Redevelopment Incremental Valuation ($44,580,507,946)</u>	
Total Overlapping Tax Increment Debt	2.28%

[1] Includes $574,103,600 homeowner's exemption for FY23-24.
[2] Excludes 833 Bryant lease.
[3] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds, as well as issue to be sold.
[4] 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. The City's general obligation debt as a percentage of FY22-23 AV is 0.75%.

Source: California Municipal Statistics Inc., City and County of San Francisco

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 were authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIIIA of the California Constitution

Article XIIIA 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 XIIIA 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 XIIIA) 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 XIIIA 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 XIIIA 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 XIIIA.

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB 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 XIIIB includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years.

Articles XIIIC and XIIID of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XIIIC and XIIID 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 XIIIC 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 XIIIC addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIIIC, 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 XIIIC. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "GENERAL FUND REVENUES — 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 XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) 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.

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 increases 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 of the State 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 was repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIIIC 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 and parking violations; (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. See "LEGAL MATTERS AND RISK MANAGEMENT – Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act."

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.

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City. 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 materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Ongoing Investigations

Public Works Investigation. In January 2020, the City's former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation ("**FBI**") agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney's Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in January 2021. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter

Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

Mr. Wong was criminally charged in June 2020 with conspiring with City officials and laundering money. As part of the criminal investigation into Mr. Nuru and Mr. Wong, the SFPUC received a federal, criminal, grand jury subpoena in June 2020 for the production of documents, communications, contracts and records, including the complete personnel file of the SFPUC's former General Manager, Harlan L. Kelly, Jr.

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly's home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced. Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than $300,000 in ethics fines and more than $1 million in restitution. The total restitution amount to the City includes $73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020. Michael Carlin, former-Deputy General Manager of the SFPUC, then served as the Acting General Manager of the SFPUC through October 31, 2021. Mr. Herrera began serving as General Manager of the SFPUC on November 1, 2021.

Since Mr. Nuru's arrest in January 2020, the Controller's Office, in consultation with the City Attorney, has issued 11 public integrity reviews, all of which can be found on the Controller's website. Ten of the 11 reports focus primarily on City departments other than the SFPUC. The Controller's Office's December 9, 2021, Public Integrity Audit looked specifically at SFPUC's Social Impact Partnership Program and made seven recommendations to strengthen internal controls and oversight. The SFPUC concurred with all seven of those recommendations, and as of December 2022, five of the seven recommendations had been implemented and two were in progress.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on a number of City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a $1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to the bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined $15,200. Mr. Kelly's trial is set to begin on June 26, 2023. The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.

Community Challenge Grant Program Investigation. On August 29, 2023, the San Francisco District Attorney charged Lanita Henriquez, who served as the director of the San Francisco Community Challenge Grant Program under the Office of the San Francisco City Administrator, and Rudolph Dwayne Jones, a former City official who occasionally served as a prime contractor and a subcontractor to the SFPUC, with counts of misappropriation of public monies, bribery, and financial conflict of interest in a government contract. It is alleged that Ms. Henriquez and Mr. Jones misappropriated public money between 2016 and 2020, that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling $25,000, while Ms. Henriquez directed government grant contracts exceeding $1.4 million to entities controlled by Mr. Jones, in which entities Ms. Henriquez also had a financial stake, between 2016 and 2020.

The San Francisco District Attorney has not alleged any impropriety in connection with the sole grant program Ms. Henriquez administered for the SFPUC and the SFPUC has confirmed that there are no active direct contracts between the SFPUC and Mr. Jones or his affiliated entities. The SFPUC has, however, identified four subcontracts between Mr. Jones or his affiliated entities and other SFPUC prime contractors that were effective on the date that Mr. Jones was charged, and directed each of the four prime contractors retaining Mr. Jones and/or any entities affiliated with Mr. Jones, to terminate or cancel any subcontract, service order, or other contractual arrangement such parties.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation. The San Francisco District Attorney's Office Public Integrity Task Force has also independently investigated certain of the matters described here, and the City can give no assurance when this task force will complete its investigation.

Recology Settlement. On March 4, 2021, the City Attorney announced an approximately $100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to Mr. Nuru and others. As part of the Settlement, Recology was required to lower commercial and residential rates starting April 1, 2021 and make a $7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology was approved by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing.

On May 16, 2022 the Controller's Office released a public integrity assessment report on the review of rate-setting and rate reporting processes, and profits earned by Recology that were over and above allowed profit margins. The report found that Recology netted profits of $23.4 million over and above the allowed profit margin set in the 2017 Rate Application. Even after taking into account the 2021, $101 million settlement in restitution, penalties, and interest to ratepayers affected by the erroneous calculation of revenues in the rate application, Recology consistently exceeded their allowable operating profits.

On June 7, 2022, the voters of San Francisco passed Proposition F, a ballot measure that allows the City to oversee Recology more closely, including certain changes to the composition of the Refuse Rate Board. The changes are intended to provide more oversight with respect to monitoring rates to residential and commercial customers.

In addition to the ongoing joint investigation by the City Attorney's Office and the Controller's Office into City contracting policies and procedures, the City's Board of Supervisors has conducted a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee also considered the Controller's periodic reports. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be. The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division of the City Administrator's Office. With certain exceptions, it is the general policy of the City to first evaluate self-insurance and not purchase commercial liability insurance for the risks of losses to which it is exposed. The City believes 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 decision to obtain commercial insurance depends on various factors. For property insurance, these factors include 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 limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the PUC, 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. In recent years, the City has purchased Cyber Liability insurance for departments and certain enterprise fund departments providing critical City services and/or managing high volumes of confidential/personal data.

Through coordination between 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 ACFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City is self-insured for the financial risk and liability to provide workers' compensation benefits to its employees. The administration of workers' compensation claims and disbursement of all benefit payments is managed by the Workers' Compensation Division of the City's Department of Human Resources and its contracted third-party claims administrator. Estimates of future workers' compensation costs are based on the following criteria: (i) the frequency and severity of historical claim filings; (ii) average claim losses by expense category; (iii) gross payroll and workforce composition; (iv) benefit cost inflation, including increases to the statewide average weekly wage, and medical cost growth; and (v) regulatory developments that impact benefit cost and delivery. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual claim benefit expenditures and an allocated share of overhead expenses for self-insurance administration. The City continues to develop and implement programs to lower or mitigate workers' compensation costs.

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act

On February 1, 2023, the California Secretary of State announced that a ballot initiative known as the "Taxpayer Protection and Government Accountability Act" ("Initiative 1935"), received the required number of signatures to appear on the November 5, 2024 ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIIIA, XIIIC and XIIID of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition "tax" in Article XIIIC to include "every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge." Initiative 1935 defines "exempt charge" to mean a "reasonable charge 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 actual costs as opposed to the reasonable costs of providing the service or product to the payor." "Exempt charges" also encompass existing exceptions from the definition of "tax" added to Article XIIIC by Proposition 26, including property-related fees imposed in accordance with Article XIIID (see "—Articles XIIIC and XIIID of the California Constitution – Proposition 218," above). "Actual costs" is defined as "the minimum amount necessary to reimburse the government for the cost of providing the service or product less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIIIC to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935. The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City's ability to adopt or increase rates, fees, and charges for the various services provided by the City.

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APPENDIX B

ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Annual Comprehensive Financial Report
Year ended June 30, 2022

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

CITY AND COUNTY OF SAN FRANCISCO

Annual Comprehensive Financial Report
Year Ended June 30, 2022

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OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

February 16, 2023

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

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the City and County of San Francisco, California (the City) for the year (FY) ended June 30, 2022, 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 ACFR 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 ACFR. The ACFR also incorporates financial statements of various City enterprise funds and component units that issue separate financial statements, 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, the City and County of San Francisco Retiree Health Care Trust, 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 ACFR. The MD&A provides a narrative overview and analysis of the basic financial statements and is presented after the independent auditor's report.

<u>SAN FRANCISCO GOVERNMENT:</u>

<u>Profile of San Francisco Government</u>

The City and County of San Francisco was established 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 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.

The Pandemic's Impact on the City's Economy and Finances in FY 2021-22

The COVID-19 pandemic, and the necessary public health response to it, ended the longest period of economic expansion in U.S. history, beginning in the final quarter of FY 2019-20. Within the first month, over 20 million jobs were lost across the country, equal to the total employment gained during the previous ten years. Given the rapid impact of the pandemic and the public health response to it, national real gross domestic product declined by 31.2 percent on an annualized basis in the final quarter of FY 2019-20. The economic impacts in San Francisco in the final quarter of FY 2019-20 were profound. The San Francisco metro division lost nearly 170,000 jobs between March and April 2020.

Since then, the national, state, and local economies have begun to stabilize and recover, slowly in FY 2020-21 and continuing into FY 2021-22. In FY 2021-22, new strains of the coronavirus -- Delta in fall 2021 and Omicron in winter 2022 – initially interrupted the improvement in local public health conditions. However, as 2022 progressed, improved public health conditions corresponded with the accelerated recovery of local economic activity, which improved considerably from the prior fiscal year but still were far below pre-pandemic levels.

This partial recovery in FY 2021-22 is evident across the local hospitality industry, and more generally throughout the local economy. In FY 2021-22, enplanements at San Francisco International Airport improved by 151.2 percent over fiscal year 2020-21 but were still 39.2 percent below fiscal year 2018-19. The Citywide hotel occupancy rate was 74.6 percent, a 72.4 percent increase over the prior year, but still below average occupancy of 80 percent typical in pre-pandemic years. While the City's unemployment rate at the end of FY 2021-22 improved to pre-pandemic levels, the City's office vacancy rate, driven by the persistent remote working trends in office industries nationwide, rose to 22.4 percent at the end of FY 2021-22, from 20.2 percent at the end of the prior fiscal year.

City tax revenues during FY 2021-22 tracked to these economic conditions and continued to improve but remain below pre-pandemic levels. Hotel, sales, and parking taxes for FY 2021-22 increased 363.2 percent, 25.6 percent, and 49.6 percent, respectively, versus the previous year, but they are still down 57.2 percent, 11.0 percent, and 17.3 percent, respectively from FY 2018-19.

General Fund revenue in FY 2021-22 increased $655.8 million, or 11.6 percent, over the prior year. This was driven by increases in all tax revenues and in Federal and State intergovernmental revenues. The smallest increase was in property tax, which only rose 0.1 percent over the prior year. Other taxes had strong revenue growth, with business, real property transfer, sales, and hotel taxes increasing 19.2 percent, 51.0 percent, 28.2 percent, and 376.7 percent, respectively, over FY 2020-21.

These factors contributed to strong bottom-line financial results for the fiscal year. General Fund cash increased by 8.3 percent to $3.84 billion. Total GAAP fund balance increased 8.8 percent to $2.91 billion. Primary rainy day and budget stabilization reserves, which do not include one-time reserves, totaled $380.3 million, or 6.0 percent of revenues. The General Fund's cash and fund balance positions improved to pre-pandemic levels, driven by the recovery discussed above, the availability of federal stimulus funds, and appropriate caution taken by the Mayor and Board in the development of the FY 2021-22 budget.

Planning for the City's Recovery in FY 2022-23 and Beyond

The City is heavily focused on supporting the City's continued economic, financial, and operational health and recovery while managing challenges driven by developing economic shifts in the City and throughout the nation.

Key components of the City's recovery are expected to continue into the current fiscal year and beyond. Air travel into the Bay Area and throughout the nation has continued to rebound, corresponding with continued improvement in the local hospitality industry and the tax revenues that result from it. The City's most recent budget forecast, completed in December 2022, expects hotel tax revenues to return to 2019 levels by FY 2026-27, with sales taxes returning to 2019 pre-pandemic levels by FY 2025-26.

However, broader economic challenges – including the persistence of remote office work, high inflation rates, rising interest rates, and forecasted cooling of the technology sector – are projected to translate into property, property transfer, and business tax reductions losses versus the final projections published in FY 2021-22. These December projections forecast a $200.8 million General Fund shortfall in FY 2023-24, a $527.5 million shortfall in FY 2024-25, and increasing annual shortfalls in periods beyond.

The Mayor and Board have directed a number of initiatives designed to address these financial and economic challenges. The Mayor has directed City departments to prepare proposed budgets that reduce reliance on the General Fund by 8 percent by the close of the two-year budgetary period. A number of City working groups are developing policy proposals to spur growth in the City's downtown core and accelerate major planned housing development plans in the City, with finalization of many proposals expected in the coming six months. An update to the City's housing element will be reviewed and acted upon by the Board of Supervisors in early 2023, with a stated goal of adding capacity for 82,000 housing units in the City by 2031. A long-planned new subway line connecting Chinatown and the City's South of Market neighborhoods was recently completed. A number of initiatives are underway focused on addressing homelessness, mental health, and substance abuse issues that impact both those suffering from them but also for all those that live, work, and visit the City. The success of these local government interventions in these and other areas will be key to the City's economic and financial success in the years ahead.

OTHER INFORMATION:

San Francisco's Budgetary Process

The budget is adopted at the account, authority or project level of expenditure within each department, and the department, fund, account, authority or project is the legal level of budgetary control. The notes to the budgetary comparison schedule in the required supplementary information section summarize 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 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City is required to adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2020-21 and 2021-22, there were four departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

As further required by these amendments, the Board of Supervisors and Mayor adopt a five-year financial plan every two years. The latest plan was issued in January 2023. 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.

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 ACFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the Retiree Health Care Trust, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The independent auditor's report on our current year's financial statements is presented in the Financial Section.

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. This was the 40th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. The ACFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office and the broader group of City financial staff whose professionalism, dedication, and efficiency are responsible for the preparation of this report, and more broadly the City's financial operations during this past year. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the ACFR. Finally, I want to thank the Mayor and the Board of Supervisors for their leadership in directing the policy and operations of our city government.

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

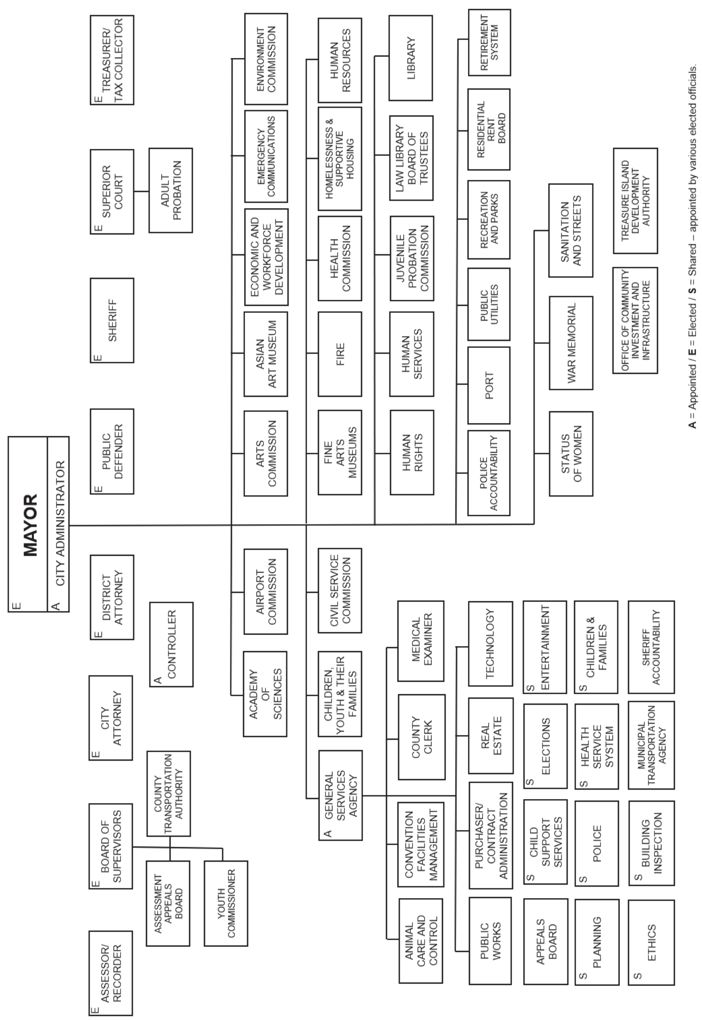
For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

City and County of San Francisco Organization Chart
(As of June 30, 2022)



CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2022

ELECTED OFFICIALS

Mayor	London Breed
Board of Supervisors:	
President	Shamann Walton
Supervisor	Dean Preston
Supervisor	Gordon Mar
Supervisor	Rafael Mandelman
Supervisor	Aaron Peskin
Supervisor	Connie Chan
Supervisor	Catherine Stefani
Supervisor	Hillary Ronen
Supervisor	Ahsha Safai
Supervisor	Myrna Melgar
Supervisor	Matt Dorsey
Assessor/Recorder	Joaquín Torres
City Attorney	David Chiu
District Attorney	Chesa Boudin
Public Defender	Manohar Raju
Sheriff	Paul Miyamoto
Superior Courts	
Presiding Judge	Judge Samuel K. Feng
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Carmen Chu
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	Ivar C. Satero
Appeals Board	Julie Rosenberg
Arts Commission	Ralph Remington
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Alistair Gibson (Acting)
County Transportation Authority	Tilly Chang
Building Inspection	Patrick O'Riordan
California Academy of Sciences	Scott D. Sampson
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Sandra Eng
Economic and Workforce Development	Kate Sofis
Elections	John Arntz
Emergency Management	Mary Ellen Carroll
Entertainment	Maggie Weiland
Environment	Tyrone Jue (Acting)
Ethics	LeeAnn Pelham
Fine Arts Museums	Thomas P. Campbell
Fire	Jeanine Nicholson

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2022

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	Kenneth Bukowski (Acting)
County Clerk	Diane Rea
Medical Examiner	Christopher Liverman
Public Works	Carla Short (Interim)
Purchaser/Contract Administration	Sailaja Kurella (Acting)
Real Estate	Andrico Penick
Department of Technology	Linda Gerull
Health Service System	Abbie Yant
Homelessness and Supportive Housing	Shireen McSpadden
Human Resources	Carol Isen
Human Rights	Sheryl Evans Davis
Human Services	Trent Rhorer
Aging and Adult Services	Kelly Dearman
Juvenile Probation	Katherine Weinstein Miller
Law Library Board of Trustees	Marcia Bell
Library	Michael Lambert
Municipal Transportation Agency	Jeffrey Tumlin
Planning	Rich Hillis
Police	William Scott
Police Accountability	Paul Henderson
Port	Elaine Forbes
Public Health	Grant Colfax
Public Utilities	Dennis Herrera
Recreation and Park	Phil Ginsburg
Residential Rent Board	Christina Varner (Acting)
Retirement System	Alison Romano
Small Business	Katy Tang
Status of Women	Kimberly Ellis
Successor Agency to the Redevelopment Agency	Thor Kaslofsky
Superior Court	T. Michael Yuen
Adult Probation	Cristel Tullock
War Memorial	John Caldon

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck

FINANCIAL SECTION

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

Independent Auditor's Report

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

Opinions

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

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

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

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

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matter

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

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

Other Matter

Prior-Year Comparative Information

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

Report on Partial Comparative Information

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Macias Gini É O'Connell LLP

Walnut Creek, California
February 16, 2023

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2022

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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 Annual Comprehensive Financial Report (ACFR) are related as shown in the graphic below.

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

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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
Type of balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or custodial capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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

Combining Statements and Schedules

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

Condensed Statement of Net Position
(in thousands)

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

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

Analysis of Net Position

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

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

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

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

Condensed Statement of Activities
(in thousands)

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

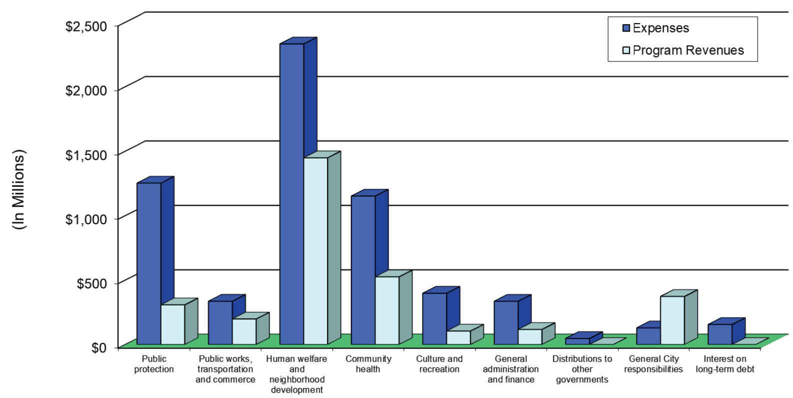
Analysis of Changes in Net Position

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

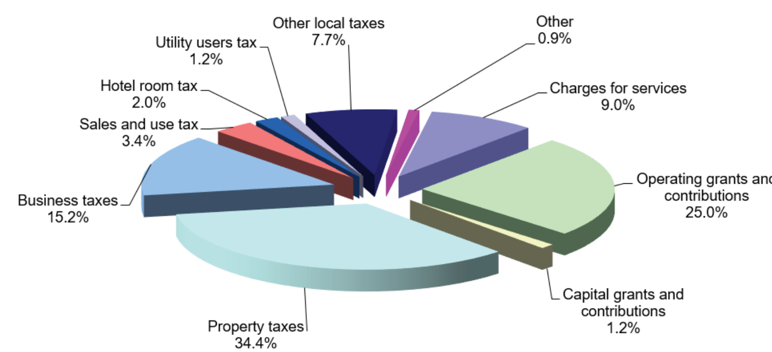
The City's governmental activities experienced a $36.9 million or 0.4 percent growth in total revenues with a decrease in total expenses of $948.4 million or 13.4 percent this fiscal year. Business-type activities revenues increased by $231.2 million or 5.1 percent, and total expenses decreased by $425.6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

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

Expenses and Program Revenues - Governmental Activities



Revenues* By Source - Governmental Activities



*Excluding interest and investment loss

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

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

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

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

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

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

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

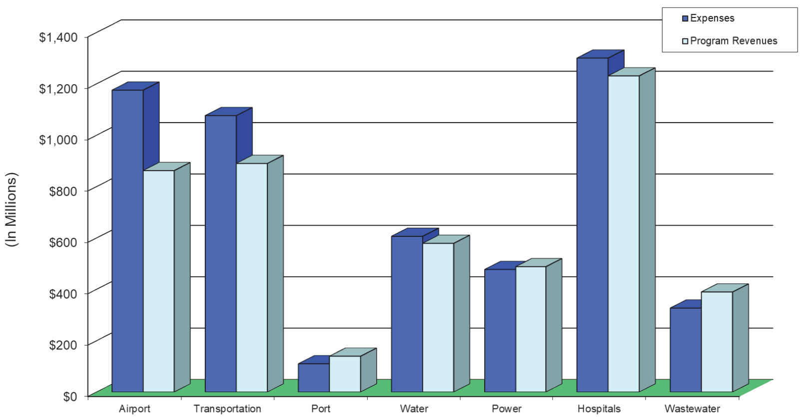
Total grants and contributions increased by $234.3 million or 11.4 percent. Operating grants and contributions grew by $259.8 million or 13.5 percent primarily due to a net increase in federal funding of $145.6 million to support the City's COVID-19 responses, including food, shelters and community-based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

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

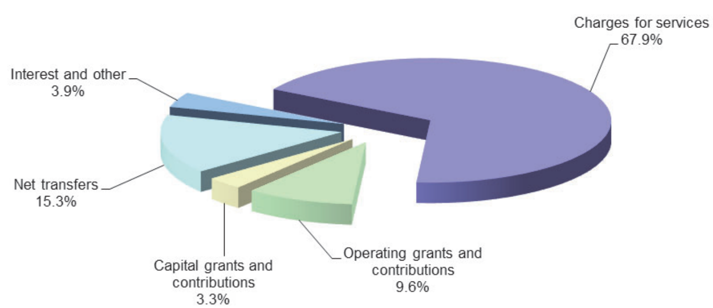
Net transfers from governmental activities to business-type activities were $866.6 million, a $4.7 million or 0.5 percent increase from the prior year. Major changes included $74.6 million more in General Fund baseline transfers to SFMTA and $18.2 million more General Fund support to Laguna Honda. This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

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

Expenses and Program Revenues - Business-Type Activities



Revenues and Transfers By Source - Business-type Activities



CITY AND COUNTY OF SAN FRANCISCO
Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2022

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

- The San Francisco International Airport had a decrease in net position at fiscal year end of $165.4 million, compared to a $402.1 million decrease in the prior year, a $236.7 million difference. Operating revenues totaled $821.3 million for fiscal year 2021-22, an increase of $305.8 million or 59.3 percent over the prior year and included an increase of $131.6 million in aviation primarily due to passenger traffic beginning to rebound, $73.4 million in rents and concessions, $87.4 million in parking and transportation, and $13.4 million in other revenues due to increased passenger traffic. For the same period, the Airport's operating expenses decreased by $104.6 million, or 11.4 percent, for a net operating income of $11.4 million for the period. Net nonoperating activities saw a deficit of $180.0 million versus $53.1 million deficit in the prior year, a $126.9 million increase. The decrease of $104.6 million in operating expenses is primarily due to a decrease in personal services of $146.6 million due to a drop in pension expenses as a result of investment gains, offset by increases in depreciation and amortization of $25.5 million due to the addition of capital assets, and $10.6 million due to higher hotel operating expenses from significant rise in labor costs and hotel supplies. The increase of $126.9 million in nonoperating activities is due to a decrease in other nonoperating revenues of $122.7 million primarily due to the CARES Act grant award being fully expended in fiscal year 2020-21, decrease of interest and investment income of $61.6 million primarily due to lower interest rates and investment fair value adjustments, and increase in interest expense of $50.8 million primarily due the adoption of GASB Statement No. 89 that no longer allows construction period interest capitalization, offset by passenger facility charges of $43.3 million primarily due to increase in passenger traffic from easing of COVID-19 restrictions, write-offs and loss on disposal of $30.3 million primarily due to the sale of equipment, and other nonoperating expenses of $34.6 million due to fewer capital improvement projects that did not meet the capitalization requirement. Capital contributions decreased by $23.7 million primarily due to the decrease in the Airport Improvement Program grant funded expenditures and Checked Baggage Inspection System expenditures attributed to the completion of Terminal 1 and International Terminal project prior to June 2021. Transfers out increased by $23.2 million due to higher service payments to the City resulting from higher revenues.

- The City's Water Enterprise, the third largest such entity in California, reported a decrease in net position of $17.9 million at the end of fiscal year 2021-22, compared to an increase of $8.5 million at the end of the previous year, a $26.4 million difference. Operating revenues totaled $573.1 million, operating expenses totaled $401.8 million, nonoperating activities totaled a net expense of $173.6 million and the net decrease from transfers was $15.6 million. Compared to the prior year, operating revenues decreased $8.5 million which was mainly due to a 4.1 percent decrease in consumption by retail customers. The enterprise reported a total decrease in operating expenses of $47.1 million in fiscal year 2021-22 mostly due to decrease of $49.1 million in personnel services mainly due to a reduction in pension expense offset by increase of $3.1 million in services provided by other departments mainly for higher water assessment fees paid to Hetch Hetchy Water and higher gas and electric charges paid to Hetch Hetchy Power. Net nonoperating activity increased by $40.8 million of net expense primarily due to increased interest expense of $29.0 million due to reduced bond interest capitalization resulting from the implementation of GASB Statement No. 89, in fiscal year 2022, and decrease of $15.0 million in State revolving fund grants recognized in the prior year.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2021-22 with a net position increase of $43.5 million, compared to a $16.4 million increase the prior year, a difference of $27.1 million. This change consisted of an increase in operating income of $27.4 million, a decrease in net nonoperating activities of $14.3 million, and an increase in net transfers from the City of $14.0 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $24.5 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $21.7 million increase in change in net position, and CleanPowerSF, which reported a $2.7 million decrease in net position. Hetchy Water operating revenues increased by $2.2 million mainly due to an increase in water assessment fees from the Water Enterprise and higher consumption from Lawrence Livermore National laboratory, while operating expenses increased by $1.8 million mainly due to higher capital spending, offset by lower pension obligations based on actuarial reports. Hetchy Power's operating revenues increased by $36.9 million mostly due to increased billings to City departments as a result of increased operations from easing of COVID-19 restrictions. On the operating expenses side, Hetchy Power reported an increase of $10.7 million mainly attributed to increases in purchased electricity and transmission, distribution and other power costs due to volatile and increased pricing in power market. CleanPowerSF's operating revenues increased by $50.2 million mostly due to increases in electricity sales to retail and commercial customers resulting from a 16 percent average rate increase. Operating expenses for CleanPowerSF increased by $49.4 million mainly due to increases in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission.

- The City's Wastewater Enterprise's net position increased by $60.1 million, compared to a $9.6 million increase in the prior year, a $50.5 million change. Operating revenues increased by $41.2 million primarily due to an average 8 percent adopted rate increase. Operating expenses decreased by $35.0 million mainly due to decreases in personnel services related to lower pension expense, and general and administrative and other operating expenses from lower capital project expenses particularly for the Biosolids/digester Project and Southeast Community Center Project. Net nonoperating activities increased by $28.4 million due principally to $43.0 million increase in interest expenses from outstanding bond principal balance and the implementation of GASB Statement No. 89, which eliminated the capitalization of interest to capital assets in fiscal year 2021-22, offset by $9.3 million utility arrearage relief payment received from the State as Federal pass-through from the California Water and Wastewater Arrearages Payment Program and $8.0 million State Revolving Fund loan principal forgiveness component of the Southeast Plant Biosolids Digester Facilities Project and the Oceanside Plant Digester Gas Handling Utilization Upgrade Project.

- The Port ended fiscal year 2021-22 with a net position increase of $36.4 million, $63.8 million more than the $27.4 million decrease in the previous year. In fiscal year 2021-22, operating revenues increased by $26.6 million primarily due to the economic recovery resulting in increased commercial and industrial, parking, and cruise activity. Parking revenues increased by $10.6 million from rents, meter collections and fines due to increased activity along the waterfront, and a parking lot added at Crane Cove Park. Commercial and industrial rent increased by $10.2 million attributable to income sharing related to the master lease at Historic Pier 70 beginning in 2022 and an increase in percentage rent revenues due to restaurant sales recovery. Cruise revenues increased by $5.0 million due to the return of cruise activities. Operating expenses decreased $33.0 million over the prior year. This was primarily due to decreases of $20.5 million in personal services from decreased pension expense, $8.1 million mostly due to changes in pollution remediation expense estimates, and $5.4 million of decreased spending on contractual services primarily due to a decrease in spending from the Waterfront Resilience Program and Mission Bay Ferry Landing project.

- The SFMTA had an increase in net position of $527.8 million for fiscal year 2021-22, compared to an increase of $306.0 million in the prior year, a $221.8 million change. SFMTA's total operating revenues were $315.5 million, while total operating expenses reached $1.06 billion. Operating revenues increased by $108.2 million compared to the prior year and is mainly due to increases in fare collections of $43.3 million, parking of $46.3 million, as well as $11.3 million in other charges for services. Operating expenses decreased by $256.9 million, primarily due to decreases in personal services by $265.2 million due to lower pension expense offset by a $20.1 million increase in depreciation and amortization. Net nonoperating activities decreased by $205.9 million, mainly from a $199.5 million decrease in federal grants. Capital contributions decreased by $20.4 million. Transfers in increased by $83.0 million.

- LHH, the City's skilled nursing care hospital, had an increase in net position of $61.4 million at the end of fiscal year 2021-22, compared to an increase of $13.2 million at the end of the previous year, a $48.2 million difference. The LHH's loss before transfers for the year was $26.3 million versus a loss of $52.2 million for the prior year. This change of $25.9 million was mostly due to a $5.8 million decrease in operating revenues, a $50.0 million decrease in operating expenses, and a $18.3 million decrease in net nonoperating activities. Net transfers increased by approximately $22.3 million, due to a $22.5 million increase in transfers in and a $0.2 million increase in transfers out.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

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

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $2.47 billion while total fund balance was $2.91 billion. Combined assigned and unassigned fund balances represent 49.3 percent of total expenditures, while total fund balance represents 58.0 percent of total expenditures. For the year, General Fund's total revenues exceeded expenditures by $1.32 billion, before transfers and other items of $1.08 billion, resulting in total fund balance increasing by $235.0 million. Overall, state grants grew by $103.9 million, primarily for social services and welfare programs, and federal grants increased by $90.7 million, mainly in the form of FEMA reimbursement of pandemic emergency response costs. Real property transfer tax spiked $175.7 million or 51.0 percent due to two once-in-a-generation high value property transfers the implementation of a November 2020 measure that doubled tax rates for sales above $10 million. Business taxes hiked by $138.5 million as economic activity resumed, tax rate increases in Proposition F went into effect, and litigation was resolved. With the easing of travel restrictions and wide availability of vaccines and therapeutics, hotel room tax also rebounded by $125.0 million from the pandemic low in the prior year. Growth in these revenues was partly offset by a sharp decrease in interest and investment income of $91.8 million due to the unrealized loss valuation of City's investment pool at fiscal year-end. In addition, net transfers were $301.9 million less, largely because of a $306.9 million transfer made in fiscal year 2020-21 to return funds previously advanced by the General Fund to support startup operations in two new Special Revenue Funds pending outcome of litigation, which ended with the City prevailing in the California Supreme Court. The net result of revenues over expenditures and transfers was an increase in fund balance this fiscal year.

Proprietary Funds

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

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

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $592.5 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

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

General Fund Budgetary Highlights

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

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

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

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

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

- $67.9 million savings for human welfare and neighborhood development largely due to expenditures below budget for community-based organization services, aid assistance and payments, and salaries and fringe benefits primarily in the Human Service Agency, Homelessness and Supporting Housing, Mayor's Office and Children, Youth and Their Families.

- $31.5 million savings for general administration and finance, including $24.9 million in salaries and fringe benefits and $17.1 million in non-personnel services, partly offset by reduced recoveries from other City departments. Elections had $8.5 million of spending below budget in election and printing services, and was followed by savings at City Attorney, Planning, General Services Agency, and Treasurer/ Tax Collector with $5.5 million, $4.2 million, $4.2 million, and $2.6 million, respectively.

- $14.5 million savings for community health, primarily in non-personnel services and rental payments.

- $14.1 million savings for public protection for non-personnel services, and salaries and fringe benefits.

- $45.6 million budgetary reserve and designation for self-insurance funds.

- Remaining savings for public works, transportation and commerce, culture and recreation, and general City responsibilities are largely due to lower than budgeted salary, fringe benefits and overhead, capital outlay and services provided by other departments.

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

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2022, increased by $1.61 billion, 5.3 percent, to $31.85 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $755.8 million or 47.1 percent to this total while $849.3 million or 52.9 percent was from business-type activities. Details are shown in the table below (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
Land	$ 774,213	$ 735,247	$ 353,558	$ 340,536	$ 1,127,771	$ 1,075,783
Construction in progress	586,526	723,561	5,821,916	5,756,173	6,408,442	6,479,734
Facilities and improvements	4,400,210	4,111,281	14,582,595	14,083,637	18,982,805	18,194,918
Machinery and equipment	146,321	156,751	1,949,387	2,134,710	2,095,708	2,291,461
Infrastructure	1,079,859	1,000,149	1,275,202	1,044,074	2,355,061	2,044,223
Right-to-use assets*	502,781	-	228,503	-	731,284	-
Intangible assets	97,352	104,517	47,127	49,860	144,479	154,377
Total	$ 7,587,262	$ 6,831,506	$ 24,258,288	$ 23,408,990	$ 31,845,550	$ 30,240,496

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

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

- Under governmental activities, net capital assets increased by $755.8 million or 11.1 percent. About $319.5 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about $144.8 million in the Traffic Company and Forensic Services Division Building, $52.7 million for Fireboat Station 35 at Pier 22 1/2, $14.9 million in the Maxine Hall Health Center Renovation, $11.2 million for Jefferson Streetscape Improvement, $8.2 million in the Earthquake Safety and Emergency Response, and $6.1 million for the 333 Valencia Tenant Improvement. The remaining completed projects are mainly public works. Right-to-use assets increased by $502.8 million due to implementation of GASB Statement No. 87.

- Under business-type activities, net capital assets included implementation of GASB Statement No. 87 which led to the recording of right-to-use assets of $228.5 million. Additional business-type activities are discussed below.

- The Water Enterprise's net capital assets increased by $29.8 million or 0.5 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Recycled Water project, Sunol Long Term Improvements and New Water Utility Service Facilities projects. Facilities, improvements, machinery, and equipment increased by $108.6 million mainly due to Water Main Replacement and Treasure Island Well projects. As of June 30, 2022, Water Enterprise's Water System Improvement Program was 99.0 percent completed with $4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2022, 35 local projects were completed. For regional projects, 47 projects are completed and for the remaining 5 projects the expected completion date is February 2027.

- SFMTA's net capital assets increased by $149.5 million or 2.7 percent mainly from Central Subway Project, Muni Forward Program, and other infrastructure construction in progress projects. Equipment cost included facility upgrades, light rail, motor bus and paratransit vehicles procurement. Infrastructure incurred during the fiscal year primarily for street improvements, rail replacement, facility upgrades, and traffic sign installation.

CITY AND COUNTY OF SAN FRANCISCO
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Year Ended June 30, 2022

- The Wastewater Enterprise net capital assets reported an increase of $439.5 million or 12.2 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2022, 38 projects were completed, 7 projects in preconstruction phase, 12 projects in construction phase, and 13 projects in close-out phase. The Southeast Water Pollution Control Plant New Headworks Facility is on-going construction.

- Hetch Hetchy's net capital assets increased by $117.1 million or 17.5 percent to $787.0 million primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Mountain Tunnel Improvement Project.

- The Airport's net capital assets decreased by $94.2 million or 1.3 percent primarily due to the disposal of assets. Due to the COVID-19 pandemic and the reduction in travel demand, the Airport has reprioritized its Capital Improvement Plan to focus on projects that are essential to Airport operations and resiliency priorities given the present-day recovery landscape. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departures level security checkpoints. The T1 Redevelopment Program completed the Harvey Milk Boarding Area B, for a total of 25 operational gates, in May 2021. Construction activity continues in the Terminal 1 North area, and this work is forecasted to complete in fiscal year 2023-24. Notable projects that completed in fiscal year 2021-22 include a post-security passenger connector between Terminal 2 and Terminal 3, portions of the Noise Insulation Program, and the rehabilitation of Runway 10L-28R which improved existing pavement and electrical systems on the airfield.

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

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

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

Debt Administration

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

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

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

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

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

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

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

Additional information in the City's long-term debt can be found in Note 8 to the basic financial statements.

Economic factors and future budgets and rates

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

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

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

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

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

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

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

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2022

REQUESTS FOR INFORMATION

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

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

Department and Component Unit Financial Statements

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

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

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

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

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

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

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

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

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

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

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

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Statement of Net Position
June 30, 2022
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)

June 30, 2022

(In Thousands)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities

Year Ended June 30, 2022

(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Primary government:								
Governmental activities:								
Public protection	$ 1,252,725	$ 101,317	$ 206,154	$ 586	$ (944,668)	$ -	$ (944,668)	$ -
Public works, transportation and commerce	336,059	102,094	50,012	46,351	(137,602)	-	(137,602)	-
Human welfare and neighborhood development	2,332,530	237,611	1,164,531	46,773	(883,615)	-	(883,615)	-
Community health	1,151,847	87,248	435,999	2,492	(626,108)	-	(626,108)	-
Culture and recreation	398,314	92,549	2,890	9,257	(293,618)	-	(293,618)	-
General administration and finance	335,772	108,893	8,189	-	(218,690)	-	(218,690)	-
Distributions to other governments	47,296	-	-	-	(47,296)	-	(47,296)	-
General city responsibilities	129,138	55,587	317,568	-	244,017	-	244,017	-
Unallocated interest on long-term debt and cost of issuance	155,467	-	-	-	(155,467)	-	(155,467)	-
Total governmental activities	6,139,148	785,299	2,185,343	105,459	(3,063,047)	-	(3,063,047)	-
Business-type activities:								
Airport	1,175,430	821,253	-	40,998	-	(313,179)	(313,179)	-
Transportation	1,076,249	315,543	433,966	140,566	-	(186,174)	(186,174)	-
Port	110,108	120,951	14,281	4,252	-	29,376	29,376	-
Water	606,409	573,117	5,931	-	-	(27,361)	(27,361)	-
Power	477,202	480,447	7,798	-	-	11,043	11,043	-
Hospitals	1,300,196	1,167,993	62,949	-	-	(69,254)	(69,254)	-
Sewer	326,952	368,882	20,711	-	-	62,641	62,641	-
Total business-type activities	5,072,546	3,848,186	545,636	185,816	-	(492,908)	(492,908)	-
Total primary government	$ 11,211,694	$ 4,633,485	$ 2,730,979	$ 291,275	(3,063,047)	(492,908)	(3,555,955)	-
Component unit:								
Treasure Island Development Authority	$ 20,884	$ 12,991	$ 2,534	$ 19,445				$ 14,086

	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
General Revenues				
Taxes:				
Property taxes	3,004,800	-	3,004,800	-
Business taxes	1,326,675	-	1,326,675	-
Sales and use tax	293,155	-	293,155	-
Hotel room tax	174,609	-	174,609	-
Utility users tax	105,225	-	105,225	-
Parking tax	71,122	-	71,122	-
Real property transfer tax	520,336	-	520,336	-
Other local taxes	84,846	-	84,846	-
Interest and investment income (loss)	(160,687)	(108,628)	(269,315)	511
Other	80,295	327,454	407,749	5,068
Transfers - internal activities of primary government	(866,631)	866,631	-	-
Total general revenues and transfers	4,633,745	1,085,457	5,719,202	5,579
Change in net position	1,570,698	592,549	2,163,247	19,665
Net position at beginning of year, as previously reported	3,759,197	6,896,026	10,655,223	27,402
Cumulative effect of accounting change	1,124	7,585	8,709	-
Net position at beginning of year, as restated	3,760,321	6,903,611	10,663,932	27,402
Net position at end of year	$ 5,331,019	$ 7,496,160	$ 12,827,179	$ 47,067

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds
June 30, 2022
(With comparative financial information as of June 30, 2021)
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2022
(In Thousands)

Net changes in fund balances - total governmental funds	$ 502,471
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization, and the loss on disposal of capital assets.	218,350
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	1,916,931
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	6,600
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	25,104
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(75)
Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(996,455)
Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(31,795)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond proceeds exceeded the principal retirement and payments to escrow for refunded debt in the current period.	(21,473)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(124,411)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	32,733
The activities of internal service funds are reported with governmental activities.	42,718
Change in net position of governmental activities	$ 1,570,698

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

June 30, 2022
(With comparative financial information as of June 30, 2021)
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2022
(With comparative financial information as of June 30, 2021)
(In Thousands)

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

CITY AND COUNTY OF SAN FRANCISCO

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds

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

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2022	Total 2021	Governmental Activities - Internal Service Funds 2022	Governmental Activities - Internal Service Funds 2021
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 1,067,453	$ 567,991	$ 477,905	$ 365,443	$ 887,991	$ 361,321	$ 31,595	$ 168,828	$ 3,928,527	$ 3,577,186	$ 185,623	$ 171,991
Cash received from tenants for rent	-	15,032	253	4,391	14,894	1,035	72,407	-	108,012	91,063	-	-
Cash paid for employees' services	(328,780)	(137,080)	(66,706)	(852,627)	(632,182)	(93,897)	(44,299)	(235,763)	(2,391,334)	(2,322,803)	(61,355)	(61,130)
Cash paid to suppliers for goods and services	(260,774)	(159,338)	(402,653)	(318,945)	(460,644)	(103,998)	(52,185)	(56,535)	(1,815,072)	(1,639,641)	(101,723)	(83,660)
Cash paid for judgments and claims	-	(2,515)	(3,968)	(6,883)	-	(10,795)	-	-	(24,161)	(15,468)	-	-
Net cash provided by (used in) operating activities	477,899	284,090	4,831	(808,621)	(189,941)	153,666	7,518	(123,470)	(194,028)	(309,663)	22,545	27,201
Cash flows from noncapital financing activities:												
Operating grants	-	5,947	10,510	424,951	68,654	12,686	2,107	(6,550)	518,305	692,952	768	58
Transfers in	-	15,036	30,001	661,998	75,658	-	-	94,238	876,931	861,223	1,672	73
Transfers out	(37,907)	(30,665)	(532)	-	(403)	(161)	(32)	(10,900)	(80,600)	(49,220)	-	-
Other noncapital financing sources	169,498	6,750	3,333	8,397	-	-	-	-	187,978	291,854	-	-
Other noncapital financing uses	(32,796)	(830)	(628)	-	-	(482)	(188)	-	(34,924)	(76,465)	-	(307)
Net cash provided by (used in) noncapital financing activities	98,795	(3,762)	42,684	1,095,346	143,909	12,043	1,887	76,788	1,467,690	1,720,344	2,440	(176)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	91,633	-	-	190,803	-	-	280	12,561	295,277	273,168	-	-
Transfers in	-	-	-	65,974	-	-	-	4,326	70,300	49,743	-	-
Bond sale proceeds and loans received	1,090	56,113	151,022	-	-	747,067	-	-	955,292	1,364,874	-	-
Proceeds from sale/transfer of capital assets	-	986	16	164	-	22	3	-	1,191	2,932	-	-
Proceeds from commercial paper borrowings	167,960	130,221	63,058	-	32,610	80,639	-	-	474,488	838,559	-	-
Proceeds from passenger facility charges	72,038	-	-	-	-	-	-	-	72,038	21,468	-	-
Acquisition of capital assets	(302,295)	(182,776)	(140,620)	(312,811)	(25,979)	(516,032)	(6,031)	(3,408)	(1,489,952)	(2,097,852)	(2,719)	(2,677)
Retirement of leases, bonds and loans	(36,036)	(142,695)	(140,433)	(10,084)	(42,418)	(368,519)	(4,219)	(6,203)	(750,607)	(1,206,635)	(15,944)	(12,461)
Bond issue costs paid	-	(10)	(1,118)	-	-	(1,490)	-	-	(2,618)	(4,536)	-	-
Interest paid on debt	(372,005)	(214,134)	(4,754)	(17,101)	(11,779)	(73,292)	(4,969)	(3,246)	(701,280)	(662,903)	(2,159)	(2,302)
Federal interest income subsidy from Build America Bonds	-	23,590	397	-	-	5,818	-	-	29,805	26,677	-	-
Other capital financing sources	-	-	-	13,417	-	-	242	-	13,659	12,404	-	-
Other capital financing uses	-	-	-	-	-	-	-	-	-	(10,826)	-	-
Net cash provided by (used in) capital and related financing activities	(377,615)	(328,705)	(72,432)	(69,638)	(47,566)	(125,787)	(14,694)	4,030	(1,032,407)	(1,392,927)	(20,822)	(17,440)
Cash flows from investing activities:												
Purchases of investments with trustees	(414,043)	(398,825)	(7,118)	-	-	(101,115)	-	-	(921,101)	(1,300,231)	-	-
Proceeds from sale of investments with trustees	435,215	398,825	7,118	-	-	101,115	-	-	942,273	1,368,082	-	-
Interest and investment income (loss)	22,159	2,154	1,739	(29,530)	3,679	1,335	6,273	(1,556)	6,253	47,339	86	-
Other investing activities	-	-	-	-	-	-	-	-	-	-	(1,172)	(73)
Net cash provided by (used in) investing activities	43,331	2,154	1,739	(29,530)	3,679	1,335	6,273	(1,556)	27,425	115,190	(1,086)	(73)
Net increase (decrease) in cash and cash equivalents	242,410	(46,223)	(23,178)	187,557	(89,919)	41,257	984	(44,208)	268,680	132,944	3,077	9,512
Cash and cash equivalents-beginning of year	1,620,655	606,589	387,305	1,024,742	409,319	291,906	227,573	117,881	4,685,970	4,553,026	49,643	40,131
Cash and cash equivalents-end of year	$ 1,863,065	$ 560,366	$ 364,127	$ 1,212,299	$ 319,400	$ 333,163	$ 228,557	$ 73,673	$ 4,954,650	$ 4,685,970	$ 52,720	$ 49,643

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2022
(In Thousands)

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

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

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

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

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20.0 million (plus 5.0 percent per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

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

Discretely Presented Component Unit

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

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

Fiduciary Component Units

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

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

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

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

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

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

Non-Disclosed Organizations

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

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

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.

- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.

- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various nonprofit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.

- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system.

- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

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

Additionally, the City reports the following fund types:

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

- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.

- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments.

- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.

- The ***Custodial Funds*** account for the external portion of the Treasurer's Office investment pool and resources held by the City in a custodial capacity on behalf of the State of California and other governmental agencies; individuals; and human welfare, community health, and transportation programs. The external portion of the Treasurer's Office investment pool represents funds held for the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California.

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

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

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

(c) Deposits and Investments

Investment in the Treasurer's Pool

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

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

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

Investment Valuation

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

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

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

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

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

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

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

Investment Income

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

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

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

(d) Loans Receivable

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

(Dollars in Thousands)

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

(e) Inventories

Inventories recorded in the governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting.

(f) Property Held for Resale

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

(g) Capital Assets

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

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

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

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

(h) Accrued Vacation and Sick Leave Pay

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

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

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

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

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

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

(j) Fund Equity

Governmental Fund Balance

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

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.

- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.

- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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

Encumbrances

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

Net Position

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

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

- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

(k) Interfund Transfers

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

- Charges for services are recorded as revenues of the performing fund and expenditures/expenses of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(l) Refunding of Debt

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

(m) Pollution Remediation Obligations

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

(n) Cash Flows

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

(o) Pensions

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

(p) Other Postemployment Benefits (OPEB)

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

(q) Restricted Assets

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

(r) Deferred Outflows and Inflows of Resources

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

(Dollars in Thousands)

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

(s) Leases

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

Measurement of Lease Amounts as Lessee

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

Measurement of Lease Amounts as Lessor

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

Remeasurement

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

Short-term Leases

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

(t) Estimates

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

(u) Reclassifications

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

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

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

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

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

(Dollars in Thousands)

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

Cost of capital assets	$10,286,746
Accumulated depreciation/amortization	(2,722,528)
	$ 7,564,218

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

Accrued vacation and sick leave pay	$ (238,553)
Accrued workers' compensation	(358,410)
Estimated claims payable	(296,919)
Bonds, loans, leases, and other payables	(4,905,440)
	$(5,799,322)

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

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

Unamortized loss on refunding of debt	$ 6,172
Unamortized gain on refunding of debt	(89,218)
	$ (83,046)

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

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

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

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

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

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

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

Net position before adjustments	$ (20,163)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Receivables from other governmental and enterprise funds	(97,301)
Unearned revenues and other liabilities	2,497
	$ (114,967)

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
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(Dollars in Thousands)

(3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	$ 6,600
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	25,104
	$ 31,704
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	$ 1,916,931
Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	(996,455)
Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	(31,795)
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(75)
	$ 888,606

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

Capital expenditures	$ 544,501
Depreciation expense	(325,649)
Loss on disposal of capital assets	(500)
Write off of construction in progress	(2)
Difference	$ 218,350

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

(Dollars in Thousands)

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

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

Bond principal payments made	$ 370,826
Lease principal payments made	68,724
Payments to escrow for refunded debt	463,475
	903,025

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

General obligation bonds	$ (468,380)
Refunding general obligation bonds	(414,205)
Leases	(41,913)
	(924,498)
	$ (21,473)

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

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

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

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

Cash and deposits	$ 306,162
Investments	50,091,292
Total deposits and investments	$ 50,397,454

(b) Investment Policies

Treasurer's Pool

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

(Dollars in Thousands)

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

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

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

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

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

Other Funds

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

Employees' Retirement System

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

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

The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles.

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

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

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2022, $83,444 (or 15.4% of reinvested cash collateral) consisted of such agreements.

Retiree Health Care Trust Fund (RHCTF)

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

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

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

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

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June 30, 2022
(Dollars in Thousands)

(c) Fair Value Hierarchy

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

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

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

* Not subject to fair value hierarchy

(Dollars in Thousands)

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

Investments Held in City Treasury

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

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

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

Investments Held Outside City Treasury

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

Employees' Retirement System Investments

Investments at Fair Value

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

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

Investments at Net Asset Value (NAV)

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

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

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

(Dollars in Thousands)

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

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

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

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

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

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

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

(Dollars in Thousands)

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

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

(d) Investment Risks

Custodial Credit Risk - Deposits

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

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

Interest Rate Risk

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

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

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

(Dollars in Thousands)

Credit Risk

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

Custodial Credit Risk - Investments

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

Concentration of Credit Risk

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

As of June 30, 2022, the City Treasurer has investments that represent 5.0% or more of the total Pool in the following:

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

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

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

(e) Treasurer's Pool

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

Statement of Net Position	
Net position held in trust for all pool participants	$ 14,471,926
Equity of internal pool participants	$ 13,219,521
Equity of external pool participants	1,252,405
Total equity	$ 14,471,926
Statement of Changes in Net Position	
Net position at July 1, 2021	$ 13,410,639
Net change in investments by pool participants	1,061,287
Net position at June 30, 2022	$ 14,471,926

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

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

(f) Retirement System's Investments

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

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

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

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2022:

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

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

Credit Risk

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

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

(Dollars in Thousands)

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

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2022, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

Custodial Credit Risk

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

Foreign Currency Risk

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

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

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

(Dollars in Thousands)

Money Weighted Rate of Return

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

Derivative Instruments

As of June 30, 2022, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

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

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

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

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

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The tables below present those investments being classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

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

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2022, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2022.

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

(Dollars in Thousands)

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

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

Foreign Currency Risk

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

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

Contingent Features

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

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

(Dollars in Thousands)

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2022, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2022, the Retirement System has lent $1,364,036 in securities and received collateral of $541,557 and $919,041 in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the decrease in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $541,413. The net unrealized loss of $144 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

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

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

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2022.

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

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

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

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

Investments in Real Assets

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

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

(Dollars in Thousands)

(g) Retiree Health Care Trust Fund

Interest Rate Risk

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

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

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

Foreign Currency Risk

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

Rate of Return

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

(Dollars in Thousands)

(6) PROPERTY TAXES

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

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

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

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

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured annual and escape property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the custodial fund. To the extent the custodial fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2022, was $36.0 million, which is included in the custodial fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

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

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

(1) Balance of July 1, 2021, as restated due to implementation of GASB 87 Leases. See Note 17 for additional information.
(2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
(3) See Note 17 for additional information.

(Dollars in Thousands)

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

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

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

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

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $5.33 billion as of June 30, 2022. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2022. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2022.

Component Unit

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

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

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

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

(8) BONDS, LOANS, LEASES AND OTHER PAYABLES

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

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

City and County of San Francisco Commercial Paper Program

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

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

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

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

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

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

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

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

San Francisco General Hospital

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

San Francisco International Airport

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

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

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

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

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

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

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

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

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

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

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2022, the amount outstanding under Proposition E was $206.3 million. CP interest rates ranged from 0.1% to 2.0%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the

(Dollars in Thousands)

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

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

Hetch Hetchy Water and Power

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

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

San Francisco Wastewater Enterprise

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

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

Long-Term Obligations

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

GOVERNMENTAL ACTIVITIES

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

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2022 for Series 2008 -1 & 2 averaged to 0.82%.

Debt service payments are made from the following sources:

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

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

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

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

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

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

Debt Compliance

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

Legal Debt Limit and Legal Debt Margin

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

Arbitrage

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

Mortgage Revenue Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Long-Term Obligations

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

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

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

(Dollars in Thousands)

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

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

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

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

Governmental Activities (1)

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

Business-Type Activities (1)

Fiscal Year Ending June 30	Revenue Bonds and Revenue Notes (4) (5) Principal	Revenue Bonds and Revenue Notes (4) (5) Interest	Certificates of Participation (5) Principal	Certificates of Participation (5) Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2023...........	$ 179,702	$ 689,029	$ 14,117	$ 13,043	$ 6,557	$ 3,333	$ 200,376	$ 705,405
2024...........	305,975	682,806	14,073	12,289	7,541	3,646	327,589	698,741
2025...........	360,644	670,755	14,754	11,502	9,496	4,233	384,894	686,490
2026...........	632,443	653,071	14,297	10,681	9,641	4,089	656,381	667,841
2027...........	557,156	632,066	13,775	9,918	13,239	5,732	584,170	647,716
2028-2032...	2,028,877	2,863,859	68,625	38,722	68,609	25,621	2,166,111	2,928,202
2033-2037..	2,403,049	2,361,166	42,600	24,032	72,562	20,394	2,518,211	2,405,592
2038-2042..	3,063,430	1,745,544	52,799	9,218	75,959	15,128	3,192,188	1,769,890
2043-2047...	2,985,815	1,063,179	1,900	95	80,862	9,636	3,068,577	1,072,910
2048-2052...	2,806,370	335,227	-	-	71,583	4,329	2,877,953	339,556
2053-2057...	75,530	10,287	-	-	26,304	812	101,834	11,099
2058-2061...	16,880	549	-	-	-	-	16,880	549
Total.......	$ 15,415,871	$ 11,707,538	$ 236,940	$ 129,500	$ 442,353	$ 96,953	$ 16,095,164	$ 11,933,991

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

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

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

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

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

Governmental Activities Long-term Liabilities

General Obligation Bonds

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

Governmental Activities - General Obligation Bonds

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

(Dollars in Thousands)

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

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

General Obligation Bonds, Series 2021-R2 (Forward Delivery)

Description of Bonds	Principal Refunded	Maturities Refunded	Redemption Price	Redemption Date
Refunding Bonds S2011-R1	$ 94,125	2022-2030	100%	12/15/2021

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

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

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

General Obligation Bonds, Series 2022-R1

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

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

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

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

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

Certificates of Participation

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

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

Lease Revenue Bonds

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

Governmental Activities - Lease Revenue Bonds

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

Finance Corporation

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

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

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $105.5 million payable through June 2030. For the year ended June 30, 2022, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled $12.8 million and $2.1 million, respectively.

Equipment Lease Program - In the June 5, 1990, election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a nonprofit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2022, all the previously issued equipment lease revenue bonds have been repaid. $90.8 million of unused authorization is still available for new issuance.

Events of Default and Remedies

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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
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causing the letter of credit to expire 15 days thereafter; (iv) pursue other rights under the Indenture and otherwise available under equity and law.

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

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

San Francisco County Transportation Authority Long-Term Debt

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

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

Events of Default and Remedies - Other Long-Term Obligations

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

(Dollars in Thousands)

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

Business-Type Activities Long-Term Liabilities

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

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

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

Second Series Revenue Refunding Bonds

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

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

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

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

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

The refunded bonds were redeemed on February 8, 2022.

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

Variable Rate Demand Bonds

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

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

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

(Dollars in Thousands)

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

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

(1) Bank of America, N.A.
(2) Barclays Bank PLC
(3) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

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

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

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

Interest Rate Swaps

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

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

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

Fair Value

The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. The value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

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

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

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

* Reflects ratings of the guarantor.
** Hedges Series 2010A - 1 and 2010A - 2.

(Dollars in Thousands)

Fair Value Hierarchy

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

Change in Fair Value

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

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

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

Basis Risk – During the year ended June 30, 2022, the Airport paid a total of $0.3 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2022, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

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

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

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

Debt Service Reserves and Requirements

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

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

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

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

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

San Francisco Water Enterprise

Drinking Water State Revolving Fund (DWSRF) Loan

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

Clean Water State Revolving Fund (CWSRF) Loan and Grant

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

Events of Default and Remedies

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

Hetch Hetchy Water and Power

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

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

Events of Default and Remedies

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

San Francisco Municipal Transportation Agency

Portsmouth Plaza Parking Corporation and Japan Center Garage Corporation Loan

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

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

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

Events of Default and Remedies

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

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

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

Wastewater Enterprise

Wastewater Revenue Bonds 2021 Series AB

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

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

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

Wastewater Revenue Notes 2021 Series AB

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

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

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

Lake Merced Green Infrastructure Project CWSRF Loan

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

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

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

North Point Facility Outfall Rehabilitation Project CWSRF Loan

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

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

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

Oceanside (OSP) Digester Gas Utilization Upgrade Project

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

Southeast Plant (SEP) Biosolids Digester Facilities Project

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

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

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

WIFIA Loan Agreement-Southeast Treatment Plant Improvements

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

Events of Default and Remedies

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

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

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

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

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

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

Benefits

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

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

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

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

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

<u>CalPERS' Provisions and Benefits</u>

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

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

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

(Dollars in Thousands)

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

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

Contributions

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

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

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2022 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2022, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2020, actuarial report, the required employer contribution rates for fiscal year 2022 were 19.91% to 24.41%.

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

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

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

Net Pension Liability (Asset)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

	SFERS Plan		CalPERS City Miscellaneous Plan		CalPERS Transportation Authority Miscellaneous Plan		CalPERS Successor Agency Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 729,578	$ -	$ -	$ -	$ 628	$ -	$ 2,611	$ -
Change in assumptions	165,530	429,516	-	-	-	-	-	-
Difference between expected and actual experience	224,673	8,025	-	2,502	97	-	2,470	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	77,316	59,280	2,398	2,225	293	-	533	2,529
Net differences between projected and actual earnings on plan investments	-	5,314,916	19,480	-	-	757	-	19,229
Total	$ 1,197,097	$ 5,811,737	$ 21,878	$ 4,727	$ 1,018	$ 757	$ 5,614	$ 21,758

	CalPERS Treasure Island Development Authority Miscellaneous Plan		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9	$ -	$ 49,808	$ -	$ -	$ -	$ 782,634	$ -
Change in assumptions	-	-	-	-	40,961	-	206,491	429,516
Difference between expected and actual experience	1	-	1,146	293	29,865	-	258,252	10,820
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	6	7	-	-	10,930	10,930	91,476	74,971
Net differences between projected and actual earnings on plan investments	-	5	-	134,076	-	-	19,480	5,468,983
Total	$ 16	$ 12	$ 50,954	$ 134,369	$ 81,756	$ 10,930	$ 1,358,333	$ 5,984,290

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

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

Actuarial Assumptions

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

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

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

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

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

(Dollars in Thousands)

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

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

Discount Rates

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

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

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

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

Assumed Supplemental COLA
for Members with a 2.00% Basic COLA

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

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

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

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

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

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan	$ 350,153	$ 144,272	$ (26,480)
Single Employer Plan	**1% Decrease @ 1.16%**	**Measurement Date @ 2.16%**	**1% Increase @ 3.16%**
Replacement Benefits Plan	$ 264,673	$ 219,574	$ 184,657

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

Deferred Compensation Plan

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

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

Health Service System

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

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

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

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

(Dollars in Thousands)

San Francisco Health Service System OPEB Plan

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

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

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

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

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

California Public Employees' Retirement System (CalPERS)

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

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

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

Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
The City Health Plan was replaced with the Blue Shield of California PPO – Accolade plan effective July 1, 2022.
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental

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

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

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

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

San Francisco County Transportation Authority and Successor Agency

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

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

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

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

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

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

Contributions

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

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

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

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

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

Net OPEB Liability/(Asset)

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

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

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

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(Dollars in Thousands)

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

Actuarial Assumptions

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

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

Non-Annuitants

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

Healthy Retirees

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

Disabled Retirees

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

Beneficiaries

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

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

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

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

	June 30, 2021 (measurement year)		
Plan	**1% Decrease 6.00%**	**Discount Rate 7.00 %**	**1% Increase 8.00%**
City Defined Benefit Plan	$ 4,316,212	$ 3,691,121	$ 3,180,565

	June 30, 2021 (measurement year)		
	1% Decrease 6.59%	**Discount Rate 7.59%**	**1% Increase 8.59%**
Transportation Authority	$ (234)	$ (537)	$ (785)

	June 30, 2021 (measurement year)		
	1% Decrease 5.25%	**Discount Rate 6.25%**	**1% Increase 7.25%**
Successor Agency	$ (2,377)	$ (3,523)	$ (4,495)

(Dollars in Thousands)

(10) FUND EQUITY

(a) Governmental Fund Balance

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

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

(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

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

Budget Stabilization Reserve

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

(c) Encumbrances

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

(d) Restricted Net Position

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the seismic strengthening and repair of the Embarcadero Seawall managed by the Port and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City’s business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City’s governmental activities. In accordance with GASB guidance, the City reclassified $563.2 million of unrestricted net position of governmental activities, of which $384.7 million reduced net investment in capital assets and $178.5 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(Dollars in Thousands)

(e) Deficit Fund Balances and Net Position

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

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

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2022, the Successor Agency has a deficit of $449.9 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(11) Unavailable Resources in Governmental Funds

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

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

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

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

(12) San Francisco County Transportation Authority

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

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the countywide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing and bicycle/pedestrian improvements); 3) Paratransit services for seniors and individuals with disabilities; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may issue up to $1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency (CMA) Programs. On November 6, 1990, the Transportation Authority was designated under State law as the CMA for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming, and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

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

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

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

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

(Dollars in Thousands)

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

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

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

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

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

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

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

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

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

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

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

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

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

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

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers pursuant to the Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 (the Interline Agreement). Pursuant to the Interline Agreement, the airlines that are members of SFO Fuel are collectively liable on a step-up basis for the sum of all costs, liabilities and expenses payable by SFO Fuel in relation to the administration and operation of SFO Fuel and the operation and maintenance of the premises and right-of-way leased from the Airport, including without limitation the facilities rent. The Fuel Bonds are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

(Dollars in Thousands)

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

Construction	$ 39,407
Operating	51,371
Total	$ 90,778

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2022, was $37.9 million and was recorded as a transfer. In addition, the Airport pays for the cost of certain direct services provided by City departments to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2022, was $186.2 million.

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

United Airlines	28.4%

(b) Port of San Francisco

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

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

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

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

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2022, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $11.1 million for capital projects and $3.4 million for general operations.

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

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

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

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

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

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

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

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

A 69-acre area commonly known as “Pier 70” has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a “brownfield” – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, found that near-shore sediment is contaminated with metals, petroleum aromatic hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents installing a sediment cap offshore along the former Pier 70 Shipyard and adjacent to Crane Cove Park and remediating contaminated soil located at the Pier 70 Undeveloped Upland area, is estimated at $3.9 million at June 30, 2022.

Other environmental conditions on Port property include polycyclic aromatic hydrocarbons and oil contamination at various sites. As of June 30, 2022, pollution remediation liabilities are estimated at $5.8 million for the rest of the Port’s properties.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2022, is as follows:

	Environmental Remediation
Environmental liabilities at July 1, 2021	$ 10,330
Current year claims and changes in estimates	(647)
Environmental liabilities at June 30, 2022	$ 9,683

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2021-22, the Water Enterprise sold water, approximately 66,005 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

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

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2050-51.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2022 and applicable revenues for 2022 are as follows:

Bonds issued with revenue pledge	$ 4,891,480
Principal and interest remaining due at end of the fiscal year	7,472,962
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	121,761
Principal and interest paid in the fiscal year	279,352
Net revenues	306,918
Funds available for debt service	410,424

Water Balancing Account – During fiscal year 2021-22, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $289.8 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2022, the Water Enterprise owed the Wholesale Customers $79.2 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2022, the Water Enterprise had outstanding commitments with third parties of $322.1 million for various capital projects and other purchase agreements.

(Dollars in Thousands)

Environmental Issue – As of June 30, 2022, the total pollution remediation liability was $1.3 million, for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $45.8 million and $11.4 million, respectively, for the year ended June 30, 2022, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $16.0 million for the year ended June 30, 2022, and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2015-16. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 69.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 31.0% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the other utility districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

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

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Assets*:				
Current assets	$ 95,633	$ 213,465	$ 115,548	$ 424,646
Receivables from other funds and component units	-	11,804	-	11,804
Noncurrent restricted cash and investments	-	8,824	-	8,824
Other noncurrent assets	14,058	26,394	14,069	54,521
Capital assets	201,068	585,709	230	787,007
Total assets	310,759	846,196	129,847	1,286,802
Deferred outflows of resources:				
Pensions	6,696	8,183	852	15,731
Other postemployment benefits	3,272	3,999	798	8,069
Total deferred outflows of resources	9,968	12,182	1,650	23,800
Liabilities:				
Current liabilities	17,380	90,965	28,621	136,966
Noncurrent liabilities	16,956	227,755	11,548	256,259
Total liabilities	34,336	318,720	40,169	393,225
Deferred inflows of resources:				
Pensions	34,477	42,138	5,414	82,029
Other postemployment benefits	2,734	3,342	1,594	7,670
Total deferred inflows of resources	37,211	45,480	7,008	89,699
Net position:				
Net investment in capital assets	201,007	352,162	-	553,169
Restricted for debt service	-	140	-	140
Unrestricted	48,173	141,876	84,320	274,369
Total net position	$ 249,180	$ 494,178	$ 84,320	$ 827,678

* Certain amounts presented herein have been reclassified from the Statement of Net Position

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Operating revenues	$ 49,312	$ 173,242	$ 257,893	$ 480,447
Depreciation expense	(6,305)	(17,628)	(345)	(24,278)
Other operating expenses	(45,998)	(138,719)	(261,773)	(446,490)
Operating income (loss)	(2,991)	16,895	(4,225)	9,679
Nonoperating revenues (expenses):				
Federal and state grants	450	4,924	2,424	7,798
Interest and investment (loss)	(2,932)	(4,001)	(1,286)	(8,219)
Interest expense	(1)	(5,624)	(5)	(5,630)
Other nonoperating revenues net of expenses	(8)	10,056	335	10,383
Transfer in (out), net	30,001	(532)	-	29,469
Change in net position	24,519	21,718	(2,757)	43,480
Net position at beginning of year, as restated	224,661	472,460	87,077	784,198
Net position at end of year	$ 249,180	$ 494,178	$ 84,320	$ 827,678

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Net cash provided by (used in)				
Operating activities	$ 2,865	$ 39,999	$ (38,033)	$ 4,831
Noncapital financing activities	30,481	7,103	5,100	42,684
Capital and related financing activities	(32,568)	(39,513)	(351)	(72,432)
Investing activities	329	1,003	407	1,739
Increase (decrease) in cash and cash equivalents	1,107	8,592	(32,877)	(23,178)
Cash and cash equivalents at beginning of year	96,276	200,265	90,764	387,305
Cash and cash equivalents at end of year	$ 97,383	$ 208,857	$ 57,887	$ 364,127

(Dollars in Thousands)

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), and the 2015 New Clean Renewable Energy Bonds (NCREBs). Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The 2015 Series AB and 2021 Series AB power revenue bonds are payable through fiscal years 2045-46 and 2051-52, respectively, and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, and applicable revenues for fiscal year 2021-22 are as follows:

Hetch Hetchy Power	
Bonds issued with revenue pledge	$ 182,271
Bond principal and interest remaining due at end of the fiscal year	290,581
Bond principal and interest paid in the fiscal year*	3,928
Net revenues	54,310
Funds available for revenue bond debt service	98,625

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds, which have a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was $2,565.

Commitments and Contingencies – As of June 30, 2022, Hetch Hetchy had outstanding commitments with third parties of $199.3 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District and Turlock Irrigation District (collectively the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were $5.1 million in fiscal year 2021-22. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power

Upon expiration of the City's previous Interconnection Agreement with Pacific Gas & Electric (PG&E), the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal year 2021-22, Hetch Hetchy Power purchased $22.4 million of distribution services from PG&E under the terms of the service agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of the electric grid in San Francisco.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2021-22, Hetchy Power purchased $4.2 million of power and other related products. There were no excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2021-22.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2021-22, the facility generated 6,460 MWh and rate was at $334/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2021-22, purchases of energy under the PPA were $2.2 million or 6,460 MWh.

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134.7 million to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $0.5 million as of June 30, 2022. CleanPowerSF's share was $0.2 million as of June 30, 2022.

CleanPowerSF

CleanPowerSF has added multiple additional short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from citywide enrollment into the CleanPowerSF program, and to comply with state law requiring that 65% of CleanPowerSF's Renewal Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.3% of all enrolled accounts. The total power purchase cost, net of wholesale sales, equaled $238.1 million in fiscal 2021-22.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal year 2021-22, amounts paid were $4.7 million.

In November 2021, CleanPowerSF amended an existing Renewable Power Purchase Agreement with Blythe Solar IV, LLC (seller) to purchase a storage product from the solar powered generation facility located in Blythe, California pursuant to the 20-year PPA. Under the revised agreement, the project in Blythe, California, will add batteries to the operating 62-MW solar photovoltaic power plant. The contract, including the new battery component, is for $196.4 million over 20 years.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022, CleanPowerSF received cash collateral of $9.0 million for Development Assurance and Performance Assurance from the Seller.

In March 2018, CleanPowerSF entered into a five-year, $75.0 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. In November 2021 the Credit Agreement was decreased (at the request of CleanPowerSF) the available amount from $75.0 million to $20.0 million, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $5.8 million for fiscal year ended June 30, 2022. CleanPowerSF did not draw on the Credit Agreement during fiscal year 2021-22. Accordingly, the uncommitted credit capacity under the Credit Agreement was $14.2 million during fiscal year 2021-22.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2022.

Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

In June 2018, the California Public Utilities Commission (CPUC) established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% Renewable Portfolio Standard (RPS) eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2024-25, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2022, CleanPowerSF received $1.2 million from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are water assessment fees totaling $45.8 million and purchased electricity for $11.4 million for the year ended June 30, 2022. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $11.9 million for the year ended June 30, 2022. Included in fiscal year 2021-22 operating revenues are sales of power to departments within the City of $116.3 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately $13.0 million for the year ended June 30, 2022, and have been included in services provided by other departments.

For the year ended June 30, 2022, CleanPowerSF operating expenses include purchase of power from Hetchy Power in the amount of $1.6 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $1.9 million for the year ended June 30, 2022.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors, who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations whose operations are interrelated.

(Dollars in Thousands)

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department and to provide the transportation system with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided $500 million in general obligation bonds for transportation and street infrastructure; (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and refunded previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through fiscal year 2050-51.

Annual principal and interest payments for fiscal year 2021-22 were 11.7% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2021-22, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 457,065
Bond principal and interest remaining due at end of the fiscal year	693,703
Net revenues	133,455
Bond principal and interest paid in the fiscal year	17,680
Funds available for revenue bond debt service	151,135

Operating and Capital Grants and Subsidies – The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received. The amount of General Fund subsidy to the SFMTA was $519.7 million in fiscal year 2021-22. The General Fund support from the City includes total revenue baseline transfer of $395.9 million and $58.9 million allocation from in lieu of parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City's population growth. The SFMTA received $58.0 million from this source of which $30.0 million was allocated for operations and $28.0 million for capital projects. The SFMTA also received an additional General Fund allocation of $5.9 million for the Chase

Event Center and mixed-use development project, $0.4 million for the Community Building Program and reimbursement of $0.6 million for free parking and transit fares related to the Portsmouth garage.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2022, the SFMTA had various operating grants receivable of $30.3 million. In fiscal year 2021-22, the SFMTA received operating assistance from BART's Americans with Disability Act related support of $1.7 million, and other federal, state, and local grants of $9.4 million, to fund project expenses that are operating in nature.

The operating assistance from federal sources include funds received from FTA in response to COVID-19 pandemic. The SFMTA received $67.3 million in Coronavirus Response and Relief Supplemental Appropriations Act funding in fiscal year 2021-22. The SFMTA was awarded $651.6 million in American Rescue Plan Act funding, of which $174.0 million was received in fiscal year 2021-22 and $477.6 million remains to be accessed in fiscal year 2022-23.

Proposition 1B is a $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the California Transit Security Grant Program (CTSGP). The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 re-appropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. CTSGP is administered by the California Governor's Office of Emergency Services (Cal OES). Funding from the CTSGP is for projects that protect critical transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. Per current Cal OES guidance, all funds allocated with outstanding balances shall be expended no later than March 31, 2022. The SFMTA did not receive cash in the fiscal year 2021-22 from PTMISEA and CTSGP. During fiscal year 2021-22, drawdowns for various eligible projects costs were made from PTMISEA funds for $2.5 million and from CTSGP funds for $7.1 million.

Commitments and Contingencies – The SFMTA has outstanding commitments of approximately $316.2 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately $78.8 million with third parties for noncapital expenditures as of June 30, 2022. Various local funding sources are used to finance these expenditures.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2022, the subsidy for LHH was $83.7 million.

Net Patient Service Revenue - Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for 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.

(Dollars in Thousands)

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2022, LHH's patient receivables and charges for services were as follows:

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 112,393	$ 8,554	$ 734	$ 121,681
Less:				
Contractual Allowance	(64,999)	(4,947)	(425)	(70,371)
Total, Net Accounts Receivable	$ 47,394	$ 3,607	$ 309	$ 51,310

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 430,261	$ 30,310	$ 2,602	$ 463,173
Less:				
Contractual Allowance	(216,005)	(25,320)	(5,670)	(246,995)
Total, Net Patient Service Revenue	$ 214,256	$ 4,990	$ (3,068)	$ 216,178

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2022, LHH accrued and recognized $27.4 million of revenue as a result of matching federal funds to local funds.

Unearned Revenues and Other Liabilities - As of June 30, 2022, LHH recorded approximately $30.8 million in other liabilities for third-party payor settlements payable.

Other Revenues - LHH recorded $6.6 million in negative federal grant revenue which represents a reduction in the amount of lost revenue claimed under the Provider Relief Program.

Transactions with Other Funds – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $14.8 million for the year ended June 30, 2022, and have been included in services provided by other departments.

As of June 30, 2022, LHH has entered into various purchase contracts totaling $1.3 million that are related to the old building remodel phase of the Replacement Project.

Recertification - In April 2022, the federal Centers for Medicare and Medicaid Services (CMS) terminated its Medicare and Medicaid payments to LHH. CMS funds the majority of resident care at LHH. The City has reached a settlement agreement to pause involuntary transfer and discharge of residents through May 2023 and extend payments through November 2023. LHH remains open and licensed during the recertification process.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2022, the subsidy for SFGH was $65.8 million.

Net Patient Service Revenue - Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payments received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

(Dollars in Thousands)

During the year ended June 30, 2022, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 274,692	$ 157,912	$ 136,184	$ 568,788
Less:				
Contractual Allowance	(251,937)	(142,162)	(86,329)	(480,428)
Provision for Bad Debts	-	-	(12,578)	(12,578)
Total, Net Accounts Receivable	$ 22,755	$ 15,750	$ 37,277	$ 75,782

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 2,003,353	$ 1,055,729	$ 1,059,393	$ 4,118,475
Less:				
Contractual Allowance	(1,727,471)	(866,742)	(514,254)	(3,108,467)
Bad Debt Write Off	-	-	(71,683)	(71,683)
Total, Net Patient Service Revenue	$ 275,882	$ 188,987	$ 473,456	$ 938,325

California's Section 1115 Medicaid Waiver (Waiver), titled "Medi-Cal 2020" expired on December 31, 2021. Medi-Cal 2020 was replaced by a new Waiver entitled California Advancing and Innovating Medi-Cal (CalAIM). CalAIM is a long-term commitment to transform and strengthen Medi-Cal, offering Californians a more equitable, coordinated, and person-centered approach to maximizing their health and life trajectory. In addition to fee-for-service cost-based reimbursements for inpatient hospital services, CalAIM includes a wide range of patient centered care programs, including Enhanced Care Management, Community Supports, and the renewal of the Global Payment Program (GPP) among other service delivery and payment reform initiatives.

Payments received under CalAIM's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to state and federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under current and previous Medi-Cal Waivers are approximately $140.6 million for the year ended June 30, 2022.

In addition, SFGH is reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2022, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Revenues and Other Liabilities - As of June 30, 2022, SFGH recorded approximately $363.1 million in unearned revenues and other liabilities, which was comprised of $278.0 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the Medicare Accelerated payment program and AB915 programs, $84.3 million in Third-Party Settlements payable.

Charity Care - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $261.0 million and estimated costs and expenses to provide charity care were $72.4 million for the year ended June 30, 2022.

Other Revenues - SFGH recognized $67.1 million of realignment funding for the year ended June 30, 2022.

SFGH recorded $1.5 million in negative federal grant revenue which represents a reduction in the amount of lost revenue claimed under the Provider Relief Program.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there was a mechanism that provided for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2019-20 showing no realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2023, for the year ended June 30, 2021.

Contract with the University of California San Francisco - The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2022, was approximately $222.0 million.

Gift - From 2014 through 2016, SFGH received $62.4 million from San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2022, SFGH has spent $48.7 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $13.7 million as restricted net position.

Commitments and Contingencies - As of June 30, 2022, SFGH had outstanding commitments with third parties for capital projects totaling $5.5 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2022, the Wastewater Enterprise serves approximately 148,381 residential accounts, which discharge about 15.7 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 26,790 non-residential accounts, which discharge about 5.3 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds, notes, and State Revolving Fund loans. Proceeds, from the bonds and State Revolving Fund, provided financing for various capital construction projects and to refund previously issued bonds. These bonds, notes, and State Revolving Fund loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2052, 2027, and 2056, respectively.

(Dollars in Thousands)

The original amount of revenue bonds issued and State Revolving Fund loans, total principal and interest remaining, principal and interest paid during fiscal year 2021-22, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,964,975
Notes issued with revenue pledge	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	310,265
Principal and interest remaining due at end of the fiscal year	3,730,462
Principal and interest paid in the fiscal year	86,619
Net revenues	155,504
Funds available for revenue bond and loans debt service	310,835

Commitments and Contingencies – As of June 30, 2022, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $1.04 billion.

Pollution Remediation Obligations – As of June 30, 2022, the Wastewater Enterprise recorded $8.1 million in pollution remediation liability, consisting of $7.8 million cleanup cost estimate at the Yosemite Creek site and $0.3 million aggregate violation fines at the Southeast Plant and Oceanside Plant. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $11.9 million for the year ended June 30, 2022. The Wastewater Enterprise purchased water from Water Enterprise totaling $1.8 million for the year ended June 30, 2022. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $13.1 million for the year ended June 30, 2022. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $12.8 million for the year ended June 30, 2022, and have been included in services provided by other departments.

(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Summary of the Successor Agency's Long-Term Obligations

Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds [(a)]	2025	5.00%	$ 12,540
Tax allocation revenue bonds [(b)]	2047	1.01% - 8.41%	806,046
Total long-term bonds and loans			$ 818,586

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

Issuance of Successor Agency Bonds – Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency.

On December 15, 2021, the Successor Agency issued $127.2 million of Taxable Third Lien Tax Allocation Bonds, Affordable Housing Projects Series 2021A (2021 Series A Bonds). Bond proceeds will be used to finance the development and/or construction of affordable housing. The 2021 Series A Bonds bear fixed interest rates ranging from 1.01% to 2.74% and have a final maturity of August 1, 2032.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.32 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2022, were $133.6 million against the total debt service payment of $96.2 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $13.8 million. The hotel tax revenue recognized during the year ended June 30, 2022, was $4.5 million against the total debt service payment of $4.5 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

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

	July 1, 2021	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2022
Bonds payable:				
Tax revenue bonds	$ 738,897	$ 127,210	$ (60,061)	$ 806,046
Hotel tax revenue bonds	16,230	-	(3,690)	12,540
Less unamortized amounts:				
For issuance premiums	40,433	-	(2,546)	37,887
For issuance discounts	(2,663)	-	142	(2,521)
Total bonds payable	792,897	127,210	(66,155)	853,952
Accreted interest payable	77,636	9,174	(6,064)	80,746 (1)
Accrued vacation and sick leave pay	1,991	868	(1,017)	1,842
Successor Agency - long-term obligations	$ 872,524	$ 137,252	$ (73,236)	$ 936,540

(1) Amounts represent interest accretion on Capital Appreciation Bonds.

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As of June 30, 2022, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

	Tax Revenue Bonds		Hotel Tax Revenue Bonds	
June 30,	Principal	Interest *	Principal	Interest
2023	$ 49,008	$ 45,517	$ 3,865	$ 627
2024	33,464	46,113	4,220	434
2025	36,896	45,784	4,455	223
2026	41,859	34,102	-	-
2027	42,547	32,850	-	-
2028-2032	232,553	143,752	-	-
2033-2037	176,415	104,268	-	-
2038-2042	127,302	47,411	-	-
2043-2047	66,002	14,235	-	-
Total	$ 806,046	$ 514,032	$ 12,540	$ 1,284

* Including payment of accreted interest.

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of $1.8 million to the City during the year ended June 30, 2022, and the outstanding payable balance was $1.1 million.

(b) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2022, the Successor Agency had outstanding encumbrances totaling approximately $10.5 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million per occurrence for automobile liability and an annual aggregate limit of $5.0 million for employment practices liability) and a $25 deductible.

Notes and Mortgages Receivable – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aid the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2022, the Successor Agency disbursed $18.0 million to the developers through this arrangement and recorded an allowance against these receivables. The Successor Agency also transferred $75.6 million of fully allowed receivables to the City. At June 30, 2022, the gross value of the notes and mortgage receivable was $183.8 million and the allowance for uncollectible amounts was $182.3 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2022, the Successor Agency had outstanding community facility district bonds totaling $147.2 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2022, the Successor Agency distributed $28.3 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by the seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the City's Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI) now called One Treasure Island.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

The development plan for the project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2026.

Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island, including the new water reservoirs and new roadways were completed in the third quarter of 2021, and utilities and street improvements are complete.

The first residential project on Yerba Buena Island called the Bristol, a 124-unit condominium building, began construction in June 2019, received its Temporary Certificate of Occupancy in spring 2022, and move-ins began in June 2022.

On Treasure Island, geotechnical improvement of soil conditions in the first subphase area on Treasure Island were substantially completed in 2020, and new roadway, sewer, storm water, water, power, and electrical infrastructure is nearly complete, and TICD is seeking acceptance of the new infrastructure from the City. The developer has begun geotechnical improvement in the second subphase area. The geotechnical improvement of the site of the new wastewater treatment plant and electrical switchyard on Treasure Island is complete, the new electrical switchyard is operational, and the San Francisco Public Utilities Commission (SFPUC) has approval from its Commission to negotiate with the top-ranked proposer for a design-build contract. Construction of the new plant is anticipated to be complete in 2025.

The first residential project on Treasure Island, Maceo May Apartment, a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares broke ground in the fall of 2020 and Temporary Certificate of Occupancy was received in late January 2023 in anticipation for move-ins beginning in February 2023. Four other residential sites on Treasure Island broke ground in 2022, including Star View Court a 100% affordable building being developed by Mercy Housing in partnership with Catholic Charities.

The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2022, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	$ 5,379	$ -	$ 5,379
General Fund	Cash coverage	8,093	-	8,093
Hetch Hetchy	Energy efficiency project	-	6,666	6,666
San Francisco Water Enterprise	Utility operations	195	-	195
		$ 13,667	$ 6,666	$ 20,333

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(16) Interfund Receivables, Payables, and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 2,524
	Hetch Hetchy Water and Power	11
	Internal Service Funds	31
		2,566
Nonmajor Governmental Funds	General Fund	31
	Nonmajor Governmental Funds	7,368
	Municipal Transportation Agency	443
		7,842
San Francisco Water Enterprise	General Fund	69
	Nonmajor Governmental Funds	102
		171
Hetch Hetchy Water and Power Enterprise	General Fund	314
	Nonmajor Governmental Funds	4,195
	San Francisco Wastewater Enterprise	629
		5,138
Municipal Transportation Agency	Nonmajor Governmental Funds	52,175
Port of San Francisco	Hetch Hetchy Water and Power Enterprise	369
San Francisco Wastewater Enterprise	General Fund	105
	Nonmajor Governmental Funds	118
		223
Total		$ 68,484

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2022, Hetch Hetchy loaned $4.2 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of $52.2 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
General Fund	Component unit – TIDA	$ 8,093	(1)
Nonmajor Governmental Funds	Component unit – TIDA	5,379	(1)
San Francisco Water Enterprise	Component unit – TIDA	195	(1)
Nonmajor Governmental Funds	Successor Agency	4,565	

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 6,666	(1)
Nonmajor Governmental Funds	Successor Agency	1,124	

(1) See discussion at Note 15.

Transfers Out: Funds	Transfers In: Funds (in thousands)								
	General Fund	Nonmajor Govern-mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta-tion Agency	San Francisco General Hospital Medical Center	Laguna Honda Hospital	Total
General Fund	$ -	$ 527,976	$ 1,672	$ 6	$ -	$ 519,733	$ 65,758	$ 94,238	$ 1,209,383
Nonmajor governmental funds	43,997	145,230	-	15,030	-	208,239	-	4,326	416,822
San Francisco International Airport	37,907	-	-	-	-	-	-	-	37,907
Water Enterprise	300	364	-	-	30,001	-	-	-	30,665
Hetch Hetchy Water and Power Enterprise	500	32	-	-	-	-	-	-	532
San Francisco General Hospital Medical Center	403	-	-	-	-	-	-	-	403
Wastewater Enterprise	-	161	-	-	-	-	-	-	161
Port of San Francisco	-	32	-	-	-	-	-	-	32
Laguna Honda Hospital	1,000	-	-	-	-	-	9,900	-	10,900
Total transfers out	$ 84,107	$ 673,795	$ 1,672	$ 15,036	$ 30,001	$ 727,972	$ 75,658	$ 98,564	$ 1,706,805

The $1.21 billion General Fund transfer out includes a total of $669.2 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $528.0 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $37.9 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). General Fund received $1.0 million from Laguna Honda Hospital for COVID-19 emergency response uses and $403 from SFGH for fiscal year 2021-22 projected shortfall. Laguna Honda Hospital transferred $9.9 million to SFGH for fiscal year 2021-22 shortfall and received $4.3 million from nonmajor governmental funds for relocation project.

SFMTA received $208.2 million transfers from nonmajor governmental funds, of which $66.0 million was for capital activities, $142.2 million was for operating activities.

The Water Enterprise transferred $30.0 million to Hetch Hetchy Water and Power Enterprise to fund various Mountain Tunnel projects, $300 to General Fund and $199 to nonmajor governmental funds for the UN Plaza Large Alternative Water Source project and purchase of capital assets, $133 to nonmajor governmental funds for the arts enrichment fund for the new CDD Headquarters and $32 to nonmajor governmental funds for the Surety Bond Program. In turn, the Water Enterprise received $15.0 million for the Earthquake Safety and Emergency Response program, and $6 from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred $129 in art enrichment fund to the Art Commission for the Westside Reliability Improvement, and $32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise transferred $500 to General Fund for repayment of Educational Revenue Augmentation Funds and $32 to the Office of the City Administrator for the Surety Bond Program.

The Port of San Francisco transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Internal Service Funds received $0.5 million from General Fund for the DT project and $1.2 million for interest earned by the Internal Service Funds but credited to the General Fund.

(Dollars in Thousands)

(17) LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Leases

Primary Government

City as Lessee

The City has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for theses leases varies, which ranges between 1 – 80 years.

A summary of intangible right-to-use assets during the year ended June 30, 2022, is as follows:

Governmental Activities:	Balance July 1, 2021, as restated	Increases	Decreases	Balance June 30, 2022
Right-to-use assets:				
Land	$ 1,675	$ -	$ -	$ 1,675
Building/Facility	535,187	42,659	6,053	571,793
Equipment	2,141	-	-	2,141
Others	-	1,214	-	1,214
Total lease assets	539,003	43,873	6,053	576,823
Less accumulated amortization:				
Right-to-use assets:				
Land	-	139	-	139
Building/Facility	-	78,402	6,053	72,349
Equipment	-	1,149	-	1,149
Others	-	405	-	405
Total accumulated amortization	-	80,095	6,053	74,042
Governmental activities lease assets, net	$ 539,003	$ (36,222)	$ -	$ 502,781

Business-Type Activities:	Balance July 1, 2021, as restated	Increases	Decreases	Balance June 30, 2022
Right-to-use assets:				
Land	$ 24,057	$ -	$ -	$ 24,057
Building/Facility	215,344	-	568	214,776
Equipment	20,966	-	1,024	19,942
Others	-	-	-	-
Total lease assets	260,367	-	1,592	258,775
Less accumulated amortization:				
Right-to-use assets:				
Land	187	536	-	723
Building/Facility	6,855	14,031	568	20,318
Equipment	-	10,255	1,024	9,231
Others	-	-	-	-
Total accumulated amortization	7,042	24,822	1,592	30,272
Business-type activities lease assets, net	$ 253,325	$ (24,822)	$ -	$ 228,503

Future annual lease payments are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2023	$ 61,120	$ 7,279	$ 68,399
2024	51,052	6,692	57,744
2025	46,173	6,119	52,292
2026	41,811	5,563	47,374
2027	35,385	5,030	40,415
2028-2032	124,916	18,324	143,240
2033-2037	109,301	8,393	117,694
2038-2042	41,459	992	42,451
2043-2047	100	2	102
Total	$ 511,317	$ 58,394	$ 569,711

Business-type Activities

Fiscal Years	Airport Principal	Airport Interest	Airport Total	Port Principal	Port Interest	Port Total	General Hospital Medical Center Principal	General Hospital Medical Center Interest	General Hospital Medical Center Total	Municipal Transportation Agency Principal	Municipal Transportation Agency Interest	Municipal Transportation Agency Total
2023	$ 139	$ 3	$ 142	$ 1,520	$ 1,635	$ 3,155	$ 4,532	$ 59	$ 4,590	$ 6,123	$ 2,580	$ 8,703
2024	145	2	147	1,555	1,598	3,153	2,281	38	2,319	4,928	2,501	7,429
2025	125	1	126	1,574	1,561	3,135	1,137	25	1,162	5,221	2,424	7,645
2026	-	-	-	1,777	1,521	3,298	645	17	662	5,453	2,343	7,796
2027	-	-	-	2,052	1,474	3,526	653	9	662	5,661	2,256	7,917
2028-2032	-	-	-	11,033	6,598	17,631	439	2	442	23,326	10,053	33,379
2033-2037	-	-	-	12,438	5,190	17,628	-	-	-	29,514	7,721	37,235
2038-2042	-	-	-	14,022	3,602	17,624	-	-	-	38,092	4,633	42,725
2043-2047	-	-	-	15,808	1,813	17,621	-	-	-	8,457	2,182	10,639
2048-2052	-	-	-	7,177	174	7,351	-	-	-	-	2,423	2,423
2053-2057	-	-	-	-	-	-	-	-	-	-	2,809	2,809
2058-2062	-	-	-	-	-	-	-	-	-	-	3,256	3,256
2063-2067	-	-	-	-	-	-	-	-	-	-	3,775	3,775
2068-2072	-	-	-	-	-	-	-	-	-	-	4,376	4,376
Thereafter	-	-	-	-	-	-	-	-	-	23,208	12,779	35,987
Total	$ 409	$ 6	$ 415	$ 68,956	$ 25,166	$ 94,122	$ 9,687	$ 150	$ 9,837	$ 149,983	$ 66,111	$ 216,094

Fiscal Years	San Francisco Water Enterprise Principal	San Francisco Water Enterprise Interest	San Francisco Water Enterprise Total	Hetch hetchy Water and Power Principal	Hetch hetchy Water and Power Interest	Hetch hetchy Water and Power Total	San Francisco Wastewater Enterprise Principal	San Francisco Wastewater Enterprise Interest	San Francisco Wastewater Enterprise Total	Total Business-type Activities Principal	Total Business-type Activities Interest	Total Business-type Activities Total
2023	$ 1,008	$ 42	$ 1,050	$ 238	$ 4	$ 242	$ 2,341	$ 30	$ 2,371	$ 15,901	$ 4,353	$ 20,254
2024	370	33	403	6	3	9	1,297	6	1,303	10,582	4,181	14,763
2025	186	29	215	7	3	10	-	-	-	8,250	4,043	12,293
2026	101	27	128	7	3	10	-	-	-	7,983	3,911	11,894
2027	103	25	128	7	2	9	-	-	-	8,476	3,766	12,242
2028-2032	436	96	532	37	9	46	-	-	-	35,271	16,758	52,029
2033-2037	446	49	495	41	5	46	-	-	-	42,439	12,965	55,404
2038-2042	213	6	219	26	1	27	-	-	-	52,353	8,242	60,595
2043-2047	-	-	-	-	-	-	-	-	-	24,265	3,995	28,260
2048-2052	-	-	-	-	-	-	-	-	-	7,177	2,597	9,774
2053-2057	-	-	-	-	-	-	-	-	-	-	2,809	2,809
2058-2062	-	-	-	-	-	-	-	-	-	-	3,256	3,256
2063-2067	-	-	-	-	-	-	-	-	-	-	3,775	3,775
2068-2072	-	-	-	-	-	-	-	-	-	-	4,376	4,376
Thereafter	-	-	-	-	-	-	-	-	-	23,208	12,779	35,987
Total	$ 2,863	$ 307	$ 3,170	$ 369	$ 30	$ 399	$ 3,638	$ 36	$ 3,674	$ 235,905	$ 91,806	$ 327,711

(Dollars in Thousands)

In fiscal year 2021-22, the City's governmental activities and business-type activities recognized $7.5 million and $5.0 million, respectively, in interest expense for the related leases.

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for governmental activities and business-type activities were $1.9 million and $2.5 million, respectively, during the year ended June 30, 2022.

In addition, the SFMTA has commitment for leases that have not commenced as of June 30, 2022 and the liability associated is $2.8 million.

City as Lessor

The City has leased facilities, easements, communication site and equipment to varies tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

The Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which is non-cancellable and terminated at various dates as late as 2053.

Principal and interest requirements to maturity for the lease receivable at June 30, 2022, are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2023………..	$ 4,303	$ 1,658	$ 5,960
2024………..	4,160	1,591	5,751
2025………..	4,250	1,522	5,772
2026………..	4,225	1,453	5,678
2027………..	3,773	1,385	5,158
2028-2032….	18,510	5,904	24,414
2033-2037….	14,993	934	15,927
2038-2042….	16,657	4,262	20,919
2043-2047….	16,597	2,619	19,216
2048-2052….	445	267	712
2053-2057….	493	219	712
2058-2062….	545	166	711
2063-2067….	604	108	712
2068-2072….	668	44	712
Thereafter…..	81	1	83
Total………..	$ 90,304	$ 22,133	$ 112,437

Business-type Activities -excluded regulated leases

Fiscal	Airport			Port		
Years	Principal	Interest	Total	Principal	Interest	Total
2023………..	$ 47,213	$ 4,150	$ 51,363	$ 44,471	$ 10,509	$ 54,980
2024………..	36,474	3,665	40,139	34,917	9,964	44,881
2025………..	33,272	3,214	36,486	29,532	9,486	39,018
2026………..	30,132	2,777	32,909	27,148	9,027	36,175
2027………..	28,371	2,353	30,724	23,047	8,594	31,641
2028-2032….	72,453	6,739	79,192	89,180	37,370	126,550
2033-2037….	8,023	4,477	12,500	73,957	28,746	102,703
2038-2042….	9,045	3,455	12,500	45,977	22,222	68,199
2043-2047….	10,197	2,303	12,500	35,155	17,765	52,920
2048-2052….	11,496	1,004	12,500	17,600	14,186	31,786
2053-2057….	2,408	29	2,437	13,936	12,478	26,414
2058-2062….	-	-	-	17,972	10,716	28,688
2063-2067….	-	-	-	22,748	7,845	30,593
2068-2072….	-	-	-	20,596	4,734	25,330
Thereafter…..	-	-	-	27,131	1,390	28,521
Total………..	$ 289,084	$ 34,166	$ 323,250	$ 523,367	$ 205,032	$ 728,399

Fiscal	General Hospital Medical Center			Laguna Honda Hospital		
Years	Principal	Interest	Total	Principal	Interest	Total
2023………..	$ 453	$ 147	600	$ 104	$ 21	$ 125
2024………..	375	144	519	110	20	130
2025………..	353	141	494	116	17	133
2026………..	276	138	414	122	15	137
2027………..	161	136	297	128	13	141
2028-2032….	242	663	905	635	27	662
2033-2037….	262	638	900	-	-	-
2038-2042….	291	609	900	-	-	-
2043-2047….	322	578	900	-	-	-
2048-2052….	356	544	900	-	-	-
2053-2057….	394	506	900	-	-	-
2058-2062….	436	464	900	-	-	-
2063-2067….	483	417	900	-	-	-
2068-2072….	535	365	900	-	-	-
Thereafter…..	3,315	842	4,157	-	-	-
Total………..	$ 8,254	$ 6,332	$ 14,586	$ 1,215	$ 113	$ 1,328

Fiscal	Municipal Transportation Agency			San Francisco Water Enterprise			Total Business-type Activities		
Years	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023………..	$ 10,003	$ 1,385	$ 11,388	$ 3,325	$ 907	$ 4,232	$ 105,569	$ 17,119	$ 122,688
2024………..	9,860	1,276	11,136	3,389	848	4,237	85,125	15,917	101,042
2025………..	9,451	1,172	10,623	3,470	804	4,274	76,194	14,834	91,028
2026………..	8,942	1,067	10,009	2,951	743	3,694	69,571	13,767	83,338
2027………..	8,231	965	9,196	2,619	687	3,306	62,557	12,748	75,305
2028-2032….	18,590	3,686	22,276	10,827	2,777	13,604	191,927	51,262	243,189
2033-2037….	3,051	3,199	6,250	10,736	1,691	12,427	96,029	38,751	134,780
2038-2042….	3,377	2,873	6,250	2,258	940	3,198	60,948	30,099	91,047
2043-2047….	3,739	2,511	6,250	-	998	998	49,413	24,155	73,568
2048-2052….	4,139	2,111	6,250	-	1,157	1,157	33,591	19,002	52,593
2053-2057….	4,582	1,668	6,250	-	1,341	1,341	21,320	16,022	37,342
2058-2062….	5,072	1,178	6,250	765	789	1,554	24,245	13,147	37,392
2063-2067….	5,615	635	6,250	1,128	675	1,803	29,974	9,572	39,546
2068-2072….	3,340	97	3,437	1,577	513	2,090	26,048	5,709	31,757
Thereafter…..	-	-	-	3,120	327	3,447	33,566	2,559	36,125
Total………..	$ 97,992	$ 23,823	$ 121,815	$ 46,165	$ 15,197	$ 61,362	$ 966,077	$ 284,663	$ 1,250,740

In fiscal year 2021-22, the City's governmental activities recognized $6.3 million in lease revenue and $1.7 million in interest income for the related leases and the City's business-type activities recognized $149.4 million in lease revenue and $22.4 million in interest income for the related leases.

Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The City did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable for governmental activities and business-type activities were $2.1 million and $9.1 million, respectively, during the year ended June 30, 2022.

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from the GASB 87 recognition, subject to the conditions that (a) lease rates cannot exceed a reasonable amount, (b) lease rates should be similar for similar situated lessees, and (c) the lessor cannot deny potential lessees if facilities are available.

Such regulated leases at the Airport include (a) the Lease and Use Agreements with certain airlines regarding the use of terminal building and equipment on an exclusive or preferential use basis, among other uses, which are scheduled to expire on June 30, 2023, and (b) non-terminal aeronautical buildings and land leases. Based on the airlines' operation needs, an airline may lease terminal space such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Commission provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreements. For the year ended June 30, 2022, United Airlines accounted for 47.2 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (12.5%), Delta Air Lines (9.3%) and American Airlines (8.1%), with no other airlines account for more than 5 percent of enplaned passengers. Non-terminal building and lands are leased on an exclusive basis.

(Dollars in Thousands)

The payments under the Lease and Use Agreements are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during year ended June 30, 2022, was $154.3 million, including approximately $44.7 million of fixed payments and $109.6 million of variable payments.

Below is a summary of the total number of regulated leases for fiscal year 2021-22, including which assets are subject to preferential or exclusive use by counterparties:

	# of Leases
AULA [a]	
Preferential and exclusive rental	7
Exclusive rental only	28
Non-space rental, only common use	3
Subtotal - AULA	38
Other Regulated [b]	8
Total	46

Notes:
[a] Airline-airport lease and use agreements.
[b] Includes cargo, fuel, fixed-base facility leases, hangar leases, and ground leases.

Lease revenues and interest revenues recognized during the year ended June 30, 2022, for regulated leases is presented below:

Expected Minimum Payments [a]	$	44,125
Additional Fixed Payments [b]		615
Total Fixed Payments		44,740
Additional Exclusive Use Payments [c]		129,660
Additional Preferential Use Payments [d]		56,523
Year-end True-ups		(76,577)
Total Regulated Lease Payments	$	154,346

Notes:
[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.
[b] Includes additional rent above the expected minimum payments after adjusmet by CPI and reappraisals.
[c] Includes AULA exclusive use rental revenues, other regulated leases that were charged by airport's rates and charges rate, and percentage fee revenues above minimum annual guarantee.
[d] Includes AULA preferential use rental revenues

Below is a schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter:

Fiscal Years		Expected Future Minimum Payments [a]
2023	$	45,277
2024		19,286
2025		18,092
2026		5,462
2027		1,644
2028-2032		8,221
2033-2037		8,221
2038-2042		8,221
2043-2047		7,810
Total	$	122,234

Note:
[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

Sublease

City has a non-cancellable building lease at the 555-575 Polk Street location. The second floor is the City's community justice court/center and the ground floor is subleased to the State's Administrative Office of the Courts (State AOC) for use by the Superior Courts. The 15-year master lease and sublease will be both ended in 2026. City's rental payments in fiscal year 2021-22 were $0.6 million and received $0.3 million from State AOC.

The Port has a non-cancelable lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right in 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. On February 1, 2021, the sublease adopted a market rate adjustment, resulting in an increase in future minimum annual payments. The Port's rental payments in fiscal year 2021-22 were $3.4 million.

(Dollars in Thousands)

Component Unit

Component Unit as Lessor

The component unit has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

Fiscal Years	Treasure Island Development Authority Principal	Interest	Total
2023	$ 1,540	$ 281	$ 1,821
2024	1,476	267	1,743
2025	1,231	253	1,484
2026	610	242	852
2027	565	232	797
2028-2032	2,977	1,012	3,989
2033-2037	3,249	747	3,996
2038-2042	2,848	462	3,310
2043-2047	191	356	547
2048-2052	223	331	554
2053-2057	268	295	563
2058-2062	307	266	573
2063-2067	352	233	585
2068-2072	403	195	598
Thereafter	1,702	298	2,000
Total	$ 17,942	$ 5,470	$ 23,412

The total amount for lease revenue and interest income recognized during fiscal year 2021-22 were $1.6 million and $0.3 million, respectively, related to these leases. Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The component unit did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable were $0.6 million during the year ended June 30, 2022.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.2 billion, private equity in the amount of $3.5 billion, private credit in the amount of $2.1 billion, and absolute return investments in the amount of $55.7 million, which totaled $7.9 billion at June 30, 2022.

The Retiree Health Care Trust Fund has unfunded commitments to contribute capital for private equity in the amount of $49.6 million as of June 30, 2022.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries aviation liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per single occurrence and a deductible of $500 per single occurrence. This policy includes flood coverage up to a $10.0 million sub-limit and business interruption coverage up to a $100.0 million pooled sub-limit. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts, naming the Airport as additionally insured. The Airport carries public officials' liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to, nor does it carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils Liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2022): 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $1.0 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for Port facilities, subject to a maximum of $300.0 million and a deductible of $5.0 million per occurrence (increased from a maximum of $140.0 million and a deductible of $10.0 million per occurrence before July 1, 2022); 4) public officials and employee practices liability coverage of $5.0 million, subject to a deductible of $50 per occurrence; and 5) special events for cruise terminals at Pier 27, 29 and 35 coverage of $2.0 million and no deductible. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance
f. Active Assailant	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. The annual budget for claims was $8.6 million for fiscal year 2021-22. As of June 30, 2022, the reserve was $34.1 million. Claim liabilities are actuarially determined anticipated claims and projected based on timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management. SFMTA has purchased an active assailant insurance starting in fiscal year 2021-22 to cover third party bodily injury, property damage, business interruption and crisis management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2022, has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2020, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2020-2021	$ 338,674	$ 86,603	$ (34,922)	$ 390,355
2021-2022	390,355	168,306	(94,625)	464,036

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

Breakdown of the estimated claims payable on June 30, 2022, is follows:

Governmental activities:	
Current portion of estimated claims payable	$ 111,046
Long-term portion of estimated claims payable	185,873
Total	$ 296,919
Business-type activities:	
Current portion of estimated claims payable	$ 67,693
Long-term portion of estimated claims payable	99,424
Total	$ 167,117

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2022, has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2022, was $613.1 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2020, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2020-2021	$ 524,627	$ 118,720	$ (106,408)	$ 536,939
2021-2022	536,939	195,741	(119,551)	613,129

Breakdown of the accrued workers' compensation liability on June 30, 2022, is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability	$ 71,496
Long-term portion of accrued workers' compensation liability	288,339
Total	$ 359,835
Business-type activities:	
Current portion of accrued workers' compensation liability	$ 44,684
Long-term portion of accrued workers' compensation liability	208,610
Total	$ 253,294

(19) Subsequent Events

(a) Debt Issuance

In July 2022, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2022 Sub-Series B (Refunding) with an aggregate principal of $137.1 million to refund a portion of the SFPUC's outstanding 2013 Series A and 2013 Series B Wastewater Revenue Bonds.

(b) Others

Elections

On November 8, 2022, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – A City Charter amendment that makes City employees who retired before November 6, 1966, eligible for a supplemental COLA, even if the San Francisco Retirement System (SFERS) is not fully funded and allows the Board to enter into an individual employment contract with any executive director hired on or after January 1, 2023, without regard to City civil service salary, benefits, and other limits.

Proposition B – A City Charter amendment that eliminates the Department of Sanitation and Streets and transfers its duties back to the Department of Public Works, and to retain the Public Works Commission and the Sanitation and Streets Commission.

Proposition C – A City Charter amendment that establishes the Homelessness Oversight Commission to oversee the Department of Homelessness and Supportive Housing and requires the City Controller to conduct audits of Homelessness services.

Proposition F – A City Charter amendment that renews the Library Preservation Fund for 25 years, allows the City to temporarily freeze the annual minimum funding for the Library when the City anticipates a budget deficit over $300.0 million, and requires the Library to increase the minimum hours the Main Library and its branches must be open per week.

Proposition G – A City Charter amendment that provides additional funding for the San Francisco Unified School District from existing City funds for 15 years to improve student academic achievement and social/emotional wellness.

Proposition L – An ordinance that continues a one-half cent sales tax to year 2053 and generates estimated annual revenue of $100.0 million to $236.0 million to pay for transportation projects described in a new 30-year spending plan, allows the Transportation Authority to issue up to $1.91 billion in bonds to pay these projects, and increase the total amount of money the Transportation Authority may spend each year for the next four years.

Proposition M – An ordinance that imposes tax on owners of vacant residential units in buildings with three or more units if those owners have kept those units vacant for more than 182 days in a calendar year at a rate between $2.5 to $5.0 per vacant unit in year 2024 and up to $20 in later years with adjustment for inflation, to generate estimated annual revenue of $20.0 million to $37.0 million, with tax continuing until December 31, 2053, and use those funds for rent subsidies and affordable housing.

Proposition N – An ordinance that allows the City to use public funds to acquire, operate or subsidize public parking in the underground public garage below the Music Concourse in Golden Gate Park, and directs the Golden Gate Park Concourse Authority to dissolve, transferring management of the garage to the City's Recreation and Park Commission.

Infrastructure and Revitalization Financing District No. 1 (Treasure Island)

In September 2022, the City, on behalf of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment) (the 2022A Bonds and 2022B Bonds) in the original par amounts of $24.3 million and $5.1 million, respectively. The 2022A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2022B Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2022A Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052.

The 2022A Bonds and 2022B Bonds are secured under the provisions of separate Indentures of Trust and will be payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. These bonds are not a debt of the City, the State, or any political subdivision (other than the IRFD).

Community Facilities District No. 2014-1 (Transbay)

In December 2022, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) issued Special Tax Bonds, Series 2022A (Tax-Exempt) and Series 2022B (Federally Taxable – Green Bonds) in the par amounts of $31.2 million and $47.4 million, respectively. The 2022A Bonds are being issued to fund streetscape and pedestrian improvements around the Salesforce Transit Center, acquisition of transit vehicles, and enhancements at BART Embarcadero Station. The 2022B Bonds are being issued to fund planning, design, engineering, right of way acquisition and construction of certain capital improvements that are part of the Transbay Program's Downtown Rail Extension. The 2022A Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear interest rates ranging from 4.798% to 6.332%, with principal amortizing from September 1, 2023, through September 1, 2051.

Federal American Rescue Plan Act of 2021 (ARPA) for California Ports

In July 2022, the Port received approximately $114.8 million, which included money related to a $14.0 million grant receivable with the remaining related to future spending. The funding source is the State of California, who received an allocation of funds from the Federal American Rescue Plan Act of 2021 (ARPA) for California ports. The State then appropriated an allocation of State General Funds to the State Lands Commission for distribution to the ports.

Parking Garages

In November 2022, the voters of the City approved the takeover by the Recreation and Park Department (RPD) of the Music Concourse Garage (MCG) located in Golden Gate Park from the nonprofit entity that currently manages the garage. Under the current proposal, subject to approval by the SFMTA Board of Directors, the RPD Commission and the Board of Supervisors, the SFMTA would manage the operations of the MCG on behalf of RPD. The proposed agreement between RPD and SFMTA will include revenues allocated to RPD and SFMTA will be reimbursed for administrative costs and capital costs associated with oversight of MCG. It is also proposed that SFMTA will be responsible for setting rates for MCG under the overall Citywide garage rate setting policy approved by the SFMTA Board.

Wastewater Interim Funding Program – Credit Providers

In July 2022, the SFPUC entered into a $75.0 million Revolving Credit and Term Loan Agreement with TD Bank N.A. (TD Bank) (Series A-4) which expires July 6, 2027. The Series A-4 Revolving Credit and Term Loan Agreement replaced the $75.0 million Revolving Credit and Term Loan Agreement from the Toronto Dominion Bank which expired July 8, 2022.

Fourth Extension of Shutoff, Liens, and Fines Moratorium for COVID-19 Relief

In September 2022, the SFPUC approved to extend moratorium on shutoff of water, electric and sewer service for residents in the City through June 30, 2023, and granted the General Manager discretion to restart severance and liens processes to multifamily residential accounts carrying balances greater than $25 which are 90 days or more past due. In addition, the temporary suspension of the return of delinquent residential CleanPowerSF customers to PG&E has also been extended through June 30, 2023.

Ratings Upgrade

In July 2022, S&P took several actions with respect to the Airport's Bonds. S&P raised its rating on the Airport's outstanding Bonds, except for Series 2022A/B/C (which are not rated by S&P) and the Variable Rate Demand Bonds Series 2010A, Series 2018B/C, from "A" to "A+". S&P also raised its joint support long-term rating and affirmed the short-term rating on the Airport's Bonds, Series 2018B/C from "AA/A-1" to "AA+/A-1." The unenhanced (underlying) rating was raised to "A+" from "A" and affirmed its respective joint support long-term rating and short-term rating of "AA+/A-1" on the Airport's Bonds, Series 2010A. The unenhanced (underlying) rating was raised to "A+" from "A".

Laguna Honda Hospital Settlement Agreement

In November 2022, Laguna Honda Hospital (LHH) reached a settlement with the California Department of Public Health (CDPH) and the federal Centers for Medicare and Medicaid Services (CMS) to allow LHH to continue to receive funding through November 2023. The CMS also agreed to continue the pause on transfers until May 19, 2023.

In addition, LHH agreed to engage a Quality Improvement Expert (QIE) to develop a root cause analysis and action plan to prepare LHH for recertification that must be implemented by May 13, 2023. LHH also had to submit a revised closure plan if it becomes needed. As of the first quarter of fiscal year 2023, LHH is forecasting a $27.6 million shortfall in fiscal year 2022-23. LHH projects a $23.9 million Medi-Cal revenue shortfall due to lower than budgeted census while admissions are paused, and a $7.5 million overage in non-labor expenditures due to recertification expenses, partly offset by salary and fringe savings. LHH's current projection for fiscal year 2022-23 recertification expenses is around $25.0 million, and it is using existing savings and reprioritizing spending to cover this cost.

REQUIRED SUPPLEMENTARY INFORMATION

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset)
June 30, 2022
(Dollars in Thousands)

For the year ended June 30, 2022	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability (asset)	94.6421%	-0.4126%	0.0160%	0.4073%	0.0001%
Proportionate share of the net pension liability (asset)	$ (2,446,565)	$ (22,316)	$ 868	$ 22,028	$ 6
Covered payroll	$ 3,434,713	$ -	$ 4,826	$ 7,430	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-71.23%	N/A	17.99%	296.47%	N/A
Plan fiduciary net position as a percentage of total pension liability	107.80%	88.29%	88.29%	88.29%	88.29%

For the year ended June 30, 2021	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.3903%	-0.1489%	0.0244%	0.2967%	0.0002%
Proportionate share of the net pension liability (asset)	$ 5,107,273	$ (16,206)	$ 2,659	$ 32,279	$ 21
Covered payroll	$ 3,378,945	$ 179	$ 4,423	$ 6,745	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	151.15%	-9053.63%	60.12%	478.56%	N/A
Plan fiduciary net position as a percentage of total pension liability	83.10%	75.10%	75.10%	75.10%	75.10%

For the year ended June 30, 2020	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1288%	-0.1541%	0.0230%	0.2908%	0.0002%
Proportionate share of the net pension liability (asset)	$ 4,213,809	$ (15,793)	$ 2,352	$ 29,803	$ 25
Covered payroll	$ 3,186,405	$ 359	$ 4,396	$ 6,384	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.24%	-4399.16%	53.50%	466.84%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.30%	75.26%	75.26%	75.26%	75.26%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)
June 30, 2022
(Dollars in Thousands)

For the year ended June 30, 2019	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,030,207	$ (15,154)	$ 2,069	$ 27,178	$ 28
Covered payroll	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.20%	75.26%	75.26%	75.26%	75.26%

For the year ended June 30, 2018	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,697,131	$ (13,766)	$ 2,142	$ 27,280	$ 28
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	N/A
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

For the year ended June 30, 2017	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	$ 5,476,654	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	N/A
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)

June 30, 2022*
(Dollars in Thousands)

	For the year ended June 30, 2016				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	$ 2,156,049	$ (13,956)	$ 1,288	$ 16,563	$ 24
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

	For the year ended June 30, 2015				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	$ 1,660,365	$ (11,381)	$ 1,299	$ 15,870	$ -
Covered payroll	$ 2,398,979	$ 303	$ 3,264	$ 3,962	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2021, 2020, 2019 and 2018. The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – There were no changes in the discount rate for the measurement period ended June 30, 2021. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40% There were no changes in the discount rate for the measurement period ended June 30, 2018. For the measurement ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – No changes for the year ended June 30, 2021.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Changes in Net Pension Liability and Related Ratios

June 30, 2022*
(Dollars in Thousands)

City CalPERS Safety Plan	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost	$ 27,940	$ 29,508	$ 30,109	$ 34,006	$ 33,886	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	107,607	102,990	98,555	94,305	88,729	85,094	80,057	76,177
Changes of assumptions	-	-	-	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	2,028	(1,465)	(7,134)	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(71,533)	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability	66,042	64,218	58,596	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning	1,524,757	1,460,539	1,401,943	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$1,590,799	$1,524,757	$1,460,539	$1,401,943	$1,320,856	$1,189,116	$ 1,119,705	$1,087,527
Plan fiduciary net position:								
Plan to plan resource movement	$ -	$ -	$ -	$ (3)	$ -	$ -	$ (4)	$ -
Contributions from the employer	51,620	49,455	43,789	31,189	30,575	23,640	20,718	20,613
Contributions from employees	8,342	8,947	9,141	9,359	10,307	14,310	15,061	15,216
Net investment income	269,621	57,048	71,212	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(71,533)	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses	(1,188)	(1,611)	(772)	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense)	-	-	2	(3,011)	-	-	-	-
Net change in plan fiduciary net position	256,862	47,024	60,438	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	1,189,665	1,142,641	1,082,203	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending	$1,446,527	$1,189,665	$1,142,641	$1,082,203	$1,017,528	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 144,272	$ 335,092	$ 317,898	$ 319,740	$ 303,328	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	90.93%	78.02%	78.23%	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll	$ 88,363	$ 92,968	$ 94,522	$ 106,765	$ 107,812	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	163.27%	360.44%	336.32%	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred on or after the June 30, 2020, valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Changes in Total Pension Liability and Related Ratios

June 30, 2022*

(Dollars in Thousands)

City Replacement Benefits Plan	2022	2021	2020	2019	2018	2017
Plan total pension liability:						
Service cost	$ 2,571	$ 1,976	$ 1,286	$ 1,298	$ 1,605	$ 956
Interest	4,076	4,776	3,538	2,998	2,218	2,112
Changes of benefits	-	-	-	-	-	10,310
Differences between expected and actual experience	24,547	7,800	13,588	564	15,326	-
Changes of assumptions	7,274	37,013	29,565	5,540	(10,290)	11,516
Benefit payments	(4,097)	(3,634)	(2,958)	(2,442)	(3,164)	(1,332)
Net change in total pension liability	34,371	47,931	45,019	7,958	5,695	23,562
Total pension liability, beginning	185,203	137,272	92,253	84,295	78,600	55,038
Plan total pension liability, ending:	$ 219,574	$ 185,203	$ 137,272	$ 92,253	$ 84,295	$ 78,600
Covered-employee payroll	$ 3,470,495	$ 3,414,923	$ 3,225,854	$ 3,082,273	$ 2,919,519	$ 2,719,691
Plan total pension liability as a percentage of the covered-employee payroll	6.33%	5.42%	4.26%	2.99%	2.89%	2.89%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2021.

Changes of Assumptions – The discount rate decreased from 2.21% in the measurement period ended June 30, 2020, to 2.16% in the measurement period ended June 30, 2021. The discount rate was changed from 3.87% in the measurement period ended June 30, 2018, to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only six years of information is shown

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans

June 30, 2022

(Dollars in Thousands)

For the year ended June 30, 2022

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 729,578	$ -	$ 628	$ 2,611	$ 9	$ 49,808
Contributions in relation to the actuarially determined contributions	(729,578)	-	(628)	(2,611)	(9)	(49,808)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,553,859	$ -	$ 4,706	$ 6,633	$ -	$ 85,571
Contributions as a percentage of covered payroll	20.53%	N/A	13.34%	39.36%	N/A	58.21%

For the year ended June 30, 2021

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 791,736	$ -	$ 606	$ 2,299	$ 8	$ 51,185
Contributions in relation to the actuarially determined contributions	(791,736)	-	(606)	(2,299)	(8)	(51,185)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,434,713	$ -	$ 4,826	$ 7,430	$ -	$ 93,702
Contributions as a percentage of covered payroll	23.05%	N/A	12.56%	30.94%	N/A	54.63%

For the year ended June 30, 2020

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 701,307	$ 10	$ 539	$ 2,012	$ 7	$ 40,778
Contributions in relation to the actuarially determined contributions	(701,307)	(10)	(539)	(2,012)	(7)	(40,778)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,378,945	$ 179	$ 4,423	$ 6,745	$ -	$ 92,968
Contributions as a percentage of covered payroll	20.76%	5.59%	12.19%	29.83%	N/A	43.86%

For the year ended June 30, 2019

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 607,408	$ 28	$ 479	$ 1,637	$ 7	$ 34,933
Contributions in relation to the actuarially determined contributions	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,186,405	$ 359	$ 4,396	$ 6,384	$ -	$ 94,522
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	N/A	36.96%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

For the year ended June 30, 2018

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 582,568	$ 42	$ 403	$ 1,283	$ 6	$ 30,743
Contributions in relation to the actuarially determined contributions	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -	$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	N/A	28.80%

For the year ended June 30, 2017

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 519,073	$ 35	$ 293	$ 970	$ 2	$ 27,190
Contributions in relation to the actuarially determined contributions	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -	$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	N/A	25.22%

For the year ended June 30, 2016

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,640
Contributions in relation to the actuarially determined contributions	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022*
(Dollars in Thousands)

For the year ended June 30, 2015

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [(1)] **	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [(1)]	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -	$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

[(1)] Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2021-22 contribution rates to SFERS Plan

Valuation date	July 1, 2019
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.40% (net of investment expenses)
Inflation	2.75%
Projected salary increase	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2020-21 contribution rates to SFERS Plan

Valuation date	July 1, 2018
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.40% (net of investment expenses)
Inflation	3.00% compounded annually
Projected salary increase	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan

Valuation date	July 1, 2017
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.00% compounded annually
Projected salary increase	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date	July 1, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date	July 1, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date	July 1, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date	July 1, 2013
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Rolling 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.58% (net of investment expenses)
Inflation	3.33% compounded annually
Projected salary increase	Wage inflation component: 3.83%

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date	July 1, 2012
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Rolling 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.58% (net of investment expenses)
Inflation	3.33% compounded annually
Projected salary increase	Wage inflation component: 3.83%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2021-22 contribution rates to CalPERS plans

Valuation date	June 30, 2019
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.500%
Payroll growth	2.750%

Methods and assumptions used to determine FY 2020-21 contribution rates to CalPERS plans

Valuation date	June 30, 2018
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.500%
Payroll growth	2.750%

Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans

Valuation date	June 30, 2017
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.25%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.625%
Payroll growth	2.875%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date	June 30, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.375%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date	June 30, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date	June 30, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2013
Actuarial cost method...................	Entry-age normal cost method
Amortization method.....................	Level percent of payroll
Amortization period.......................	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.................	Market Value
Investment rate of return................	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	3.30% to 14.20% depending on age, service, and type of employment
Inflation..	2.75%
Payroll growth..............................	3.00%
Individual salary growth..................	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2012
Actuarial cost method...................	Entry-age normal cost method
Amortization method.....................	Level percent of payroll
Amortization period.......................	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method.................	15-year smoothed market
Investment rate of return................	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	3.30% to 14.20% depending on age, service, and type of employment
Inflation..	2.75%
Payroll growth..............................	3.00%
Individual salary growth..................	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan
June 30, 2022
(Dollars in Thousands)

	2022		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 155,840	$ 348	$ 90
Interest (includes interest on service cost)	300,122	831	124
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(151,949)	(1,337)	183
Changes of assumptions	-	(164)	-
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Net change in total OPEB liability	**97,574**	**(1,202)**	**334**
Total OPEB liability - beginning	**4,312,325**	**12,419**	**1,622**
Total OPEB liability - ending	**$ 4,409,899**	**$ 11,217**	**$ 1,956**
Plan fiduciary net position			
Contributions - employer	$ 245,994	$ 2,259	$ 63
Contributions - member	61,582	-	-
Net investment income	128,916	3,039	538
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Administrative expense	(265)	(6)	(1)
Net change in plan fiduciary net position	**229,788**	**4,412**	**537**
Plan fiduciary net position - beginning	**488,990**	**10,328**	**1,956**
Plan fiduciary net position - ending	**718,778**	**14,740**	**2,493**
Net OPEB liability/(asset) - ending	**$ 3,691,121**	**$ (3,523)**	**$ (537)**
Plan fiduciary net position as a percentage of the total OPEB liability	16.3%	131.4%	127.5%
Covered payroll	$ 3,955,498	$ 7,430	$ 4,420
Net OPEB liability/(asset) as a percentage of covered payroll	93.3%	-47.4%	-12.1%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2022
(Dollars in Thousands)

	2021		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 141,642	$ 344	$ 92
Interest (includes interest on service cost)	314,907	830	114
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(381,922)	-	(1)
Changes of assumptions	151,725	(248)	-
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Net change in total OPEB liability	**29,907**	**24**	**144**
Total OPEB liability - beginning	**4,282,418**	**12,395**	**1,478**
Total OPEB liability - ending	**$ 4,312,325**	**$ 12,419**	**$ 1,622**
Plan fiduciary net position			
Contributions - employer	$ 235,963	$ 2,901	$ 61
Contributions - member	60,236	-	-
Net investment income	22,746	285	67
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Administrative expense	(113)	(7)	(1)
Net change in plan fiduciary net position	**122,387**	**2,277**	**66**
Plan fiduciary net position - beginning	**366,603**	**8,051**	**1,890**
Plan fiduciary net position - ending	**488,990**	**10,328**	**1,956**
Net OPEB liability/(asset) - ending	**$ 3,823,335**	**$ 2,091**	**$ (334)**
Plan fiduciary net position as a percentage of the total OPEB liability	11.3%	83.2%	120.6%
Covered payroll	$ 3,951,792	$ 6,745	$ 4,355
Net OPEB liability/(asset) as a percentage of covered payroll	96.7%	31.0%	-7.7%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2022
(Dollars in Thousands)

	2020		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 133,736	$ 335	$ 118
Interest (includes interest on service cost)	283,520	812	143
Changes of benefit terms	-	-	-
Differences between expected and actual experience	194,068	-	(596)
Changes of assumptions	-	-	(63)
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Net change in total OPEB liability/(asset)	**425,485**	**241**	**(458)**
Total OPEB liability - beginning	**3,856,933**	**12,154**	**1,936**
Total OPEB liability - ending	**$ 4,282,418**	**$ 12,395**	**$ 1,478**
Plan fiduciary net position			
Contributions - employer	$ 218,625	$ 2,967	$ 138
Contributions - member	51,024	-	-
Net investment income	26,959	407	106
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Administrative expense	(132)	(3)	(1)
Net change in plan fiduciary net position	**110,637**	**2,465**	**183**
Plan fiduciary net position - beginning	**255,966**	**5,586**	**1,707**
Plan fiduciary net position - ending	**366,603**	**8,051**	**1,890**
Net OPEB liability/(asset) - ending	**$ 3,915,815**	**$ 4,344**	**$ (412)**
Plan fiduciary net position as a percentage of the total OPEB liability	8.6%	65.0%	127.9%
Covered payroll	$ 3,763,446	$ 6,384	$ 4,039
Net OPEB liability/(asset) as a percentage of covered payroll	104.0%	68.1%	-10.2%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2022
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 127,850	$ 164	$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	**(34,753)**	**1,892**	**188**
Total OPEB liability - beginning	**3,891,686**	**10,262**	**1,748**
Total OPEB liability - ending	**$ 3,856,933**	**$ 12,154**	**$ 1,936**
Plan fiduciary net position			
Contributions - employer	$ 203,858	$ 2,145	$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	**81,489**	**1,661**	**204**
Plan fiduciary net position - beginning	**174,477**	**3,925**	**1,503**
Plan fiduciary net position - ending	**255,966**	**5,586**	**1,707**
Net OPEB liability - ending	**$ 3,600,967**	**$ 6,568**	**$ 229**
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	$ 3,583,448	$ 5,742	$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2022*
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 125,195	$ 159	$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	**232,667**	**54**	**175**
Total OPEB liability - beginning	**3,659,019**	**10,208**	**1,573**
Total OPEB liability - ending	**$ 3,891,686**	**$ 10,262**	**$ 1,748**
Plan fiduciary net position			
Contributions - employer	$ 183,898	$ 1,097	$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	**67,373**	**650**	**235**
Plan fiduciary net position - beginning	**107,104**	**3,275**	**1,268**
Plan fiduciary net position - ending	**174,477**	**3,925**	**1,503**
Net OPEB liability - ending	**$ 3,717,209**	**$ 6,337**	**$ 245**
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
Covered payroll	$ 3,393,658	$ 5,042	$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plans

Year Ended June 30, 2022*

(In Thousands)

For the year ended June 30, 2022	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 252,866	$ 824	$ 55
Contributions in relation to the charter required contribution or ADC	(252,866)	(1,689)	(64)
Contribution deficiency/(excess)	$ -	$ (865)	$ (9)
Covered payroll	$ 4,267,680	$ 6,633	$ 5,032
Contributions as a percentage of covered payroll	5.93%	25.46%	1.27%

For the year ended June 30, 2021	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 245,994	$ 813	$ 51
Contributions in relation to the charter required contribution or ADC	(245,994)	(2,259)	(63)
Contribution deficiency/(excess)	$ -	$ (1,446)	$ (12)
Covered payroll	$ 3,955,498	$ 7,430	$ 4,420
Contributions as a percentage of covered payroll	6.22%	30.40%	1.43%

For the year ended June 30, 2020	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 235,962	$ 802	$ 138
Contributions in relation to the charter required contribution or ADC	(235,962)	(2,901)	(61)
Contribution deficiency/(excess)	$ -	$ (2,099)	$ 77
Covered payroll	$ 3,951,792	$ 6,745	$ 4,355
Contributions as a percentage of covered payroll	5.97%	43.01%	1.40%

For the year ended June 30, 2019	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 218,625	$ 812	$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	$ -	$ (2,155)	$ -
Covered payroll	$ 3,763,446	$ 6,384	$ 4,039
Contributions as a percentage of covered payroll	5.81%	46.48%	3.42%

For the year ended June 30, 2018	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 203,858	$ 813	$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,145)	(143)
Contribution deficiency/(excess)	$ -	$ (1,332)	$ -
Covered payroll	$ 3,583,448	$ 5,742	$ 4,045
Contributions as a percentage of covered payroll	5.69%	37.36%	3.54%

For the year ended June 30, 2017	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 183,898	$ 804	$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	$ -	$ (293)	$ -
Covered payroll	$ 3,393,658	$ 5,042	$ 3,946
Contributions as a percentage of covered payroll	5.42%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only six years of information is available for the City plan, Successor Agency plan and the Transportation Authority plan.

Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2021-22 contribution rates for the plans are as follows:

Actuarial Assumptions	City Plan for the year ended June 30, 2022
Valuation Date	June 30, 2020, updated to June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.74% trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 5.50% trending down to ultimate rate of 4.04% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

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

Healthy Retirees

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

Disabled Retirees

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

Beneficiaries

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)
Year Ended June 30, 2022
(In Thousands)

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 778,546	$ 2,803,535	$ 2,803,535	$ -
Resources (Inflows):				
Property taxes	2,115,600	2,115,600	2,337,200	221,600
Business taxes	957,140	957,307	861,172	(96,135)
Other local taxes:				
Sales and use tax	145,740	145,740	188,337	42,597
Hotel room tax	78,480	78,480	158,154	79,674
Utility users tax	77,650	77,650	105,225	27,575
Parking tax	55,900	55,900	71,122	15,222
Real property transfer tax	350,110	350,110	520,336	170,226
Other local taxes	69,870	69,870	72,356	2,486
Licenses, permits and franchises:				
Licenses and permits	13,602	13,685	9,092	(4,593)
Franchise tax	14,342	14,342	15,494	1,152
Fines, forfeitures, and penalties	4,035	4,039	5,708	1,669
Interest and investment income	36,247	34,215	31,708	(2,507)
Rents and concessions:				
Garages - Recreation and Park	5,678	5,678	6,220	542
Rents and concessions - Recreation and Park	5,450	5,450	4,679	(771)
Other rents and concessions	600	692	449	(243)
Intergovernmental:				
Federal grants and subventions	359,612	819,033	793,198	(25,835)
State subventions:				
Social service subventions	143,840	143,182	134,874	(8,308)
Health / mental health subventions	249,321	248,320	285,341	37,021
Health and welfare realignment	306,152	306,152	374,123	67,971
Public safety sales tax	81,988	81,988	93,818	11,830
Other grants and subventions	73,071	96,248	115,556	19,308
Other	2,781	5,023	3,443	(1,580)
Charges for services:				
General government service charges	92,084	90,395	83,410	(6,985)
Public safety service charges	42,222	40,672	41,172	500
Recreation charges - Recreation and Park	20,304	21,558	20,815	(743)
MediCal, Medicare and health service charges	100,501	106,314	94,512	(11,802)
Other financing sources:				
Transfers from other funds	158,329	194,114	188,773	(5,341)
Other resources (inflows)	24,238	37,694	23,388	(14,306)
Subtotal - Resources (Inflows)	5,584,887	6,119,451	6,639,675	520,224
Total amounts available for appropriation	6,363,433	8,922,986	9,443,210	520,224

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 44,833	$ 45,473	$ 42,459	$ 3,014
District Attorney	72,309	71,049	70,510	539
Emergency Management	71,783	73,438	71,620	1,818
Fire Department	395,219	448,875	448,100	775
Juvenile Probation	32,095	29,859	28,532	1,327
Police Accountability	9,246	9,463	9,463	-
Police Department	568,788	591,456	590,983	473
Public Defender	45,157	45,130	44,040	1,090
Sheriff	226,872	236,087	235,372	715
Sheriff Accountability	1,974	1,974	137	1,837
Superior Court	33,463	33,460	30,954	2,506
Subtotal - Public Protection	1,501,739	1,586,264	1,572,170	14,094
Public Works, Transportation and Commerce				
Appeals Board	1,096	1,143	1,096	47
Economic and Workforce Development	139,189	121,024	109,560	11,464
Municipal Transportation Agency	-	1,666	1,666	-
Port	-	77	77	-
Public Utilities Commission	-	1,425	1,425	-
Public Works	96,241	119,030	118,986	44
Subtotal - Public Works, Transportation and Commerce	236,526	244,365	232,810	11,555
Human Welfare and Neighborhood Development				
Child Support Services	-	24	19	5
Children, Youth and Their Families	88,458	89,820	85,830	3,990
Children and Families Commission	-	70	70	-
Environment	-	28	28	-
Homelessness and Supportive Housing	297,704	305,581	293,608	11,973
Human Rights Commission	14,444	11,674	11,618	56
Human Services	1,007,052	1,074,121	1,032,388	41,733
Mayor's Office	143,291	80,698	70,742	9,956
Status of Women	10,748	9,745	9,509	236
Subtotal - Human Welfare and Neighborhood Development	1,561,697	1,571,761	1,503,812	67,949
Community Health				
Public Health	1,054,459	1,119,891	1,105,421	14,470
Culture and Recreation				
Academy of Sciences	5,573	5,482	5,424	58
Arts Commission	35,327	11,453	11,436	17
Asian Art Museum	10,145	10,039	10,039	-
Fine Arts Museums	19,768	18,392	18,365	27
Law Library	2,033	2,020	1,876	144
Library	8,000	-	-	-
Recreation and Park Commission	130,518	114,031	113,222	809
Subtotal - Culture and Recreation	211,364	161,417	160,362	1,055

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 30,601	$ 35,362	$ 34,665	$ 697
Board of Supervisors	20,256	19,364	19,364	-
City Attorney	27,170	27,840	22,306	5,534
Civil Service	1,027	1,045	753	292
Controller	13,622	15,375	13,712	1,663
Elections	30,602	41,483	32,962	8,521
Ethics	6,551	6,588	4,890	1,698
General Services Agency - Administrative Services	76,271	70,552	66,348	4,204
Health Service System	635	554	33	521
Human Resources	27,326	28,411	27,219	1,192
Mayor's Office	7,326	7,151	6,802	349
Planning	48,720	48,588	44,369	4,219
Retirement System	1,327	1,223	1,223	-
Telecommunications and Information Services	16,167	11,785	11,785	-
Treasurer/Tax Collector	36,464	38,197	35,581	2,616
Subtotal - General Administration and Finance	344,065	353,518	322,012	31,506
General City Responsibilities				
General City Responsibilities	188,117	156,892	150,530	6,362
Other financing uses:				
Debt service	27,444	2,407	358	2,049
Transfers to other funds	1,176,277	1,181,704	1,181,704	-
Budgetary reserves and designations	61,745	45,567	-	45,567
Total charges to appropriations	6,363,433	6,423,786	6,229,179	194,607
Total Sources less Current Year Uses	$ -	$ 2,499,200	$ 3,214,031	$ 714,831

Budgetary fund balance, June 30 before reserves and designations	$ 3,214,031
Reserves and designations made from budgetary fund balance not available for appropriation	(1,905,045)
Reserve for Litigation and Contingencies and General Reserve	(292,829)
Net Available Budgetary Fund Balance, June 30	$ 1,016,157

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 9,443,210
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(2,803,535)
Property tax revenue - Teeter Plan net change from prior year	(1,129)
Change in unrealized gain/(loss) on investments	(160,381)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	33,634
Interest earnings from other funds assigned to General Fund as other revenues	9
Grants, subventions and other receivables received after 60-day recognition period	1,064
Change in prepaid lease revenue, leases receivable, and deferred inflows related to leases	849
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(188,773)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 6,324,948
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 6,229,179
Difference - budget to GAAP:	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	4,011
Consumption of inventories	17,925
Intergovernmental expense offset	(104,778)
Recognition of expenditures at lease initiation	41,913
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,181,704)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 5,006,546

Notes to Budgetary Schedule:

(a) Budgetary Data

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

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

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

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

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

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

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

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

Budgetary data, as revised, is presented as required supplementary information for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

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

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

The fund balance of the General Fund as of June 30, 2022, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 3,214,031
Unrealized Gains/ (Losses) on Investments	(156,403)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(32,874)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(118,791)
Prepaid Lease Revenue, Leases Receivable, and Deferred Inflows (net)	(4,954)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	4,134
Fund Balance - GAAP basis	$ 2,905,143

General Fund budget basis fund balance as of June 30, 2022 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 114,539	
Committed Fund Balance:		
Budget Stabilization Reserves	320,637	
Assigned for Encumbrances	462,668	
Assigned for Appropriation Carryforward	940,213	
Assigned for Self-Insurance	45,567	
Assigned for Hotel Tax Loss Contingency	3,500	
Assigned for Subsequent Years' Budgets:		
Salaries and Benefits Costs (MOU)	17,921	
Subtotal		$ 1,905,045
Available for appropriations:		
Assigned for Litigation and Contingences	235,133	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2022-23	307,743	
Unassigned - General Reserve	57,696	
Unassigned - COVID-19 Response and Economic Contingency Reserve	13,999	
Unassigned - Federal & State Emergency Revenue Reserve	81,300	
Unassigned - Fiscal Cliff Reserve	229,750	
Unassigned - Business Tax Stabilization Reserve	29,454	
Unassigned - Other Reserves	1,021	
Unassigned - Budget for use in fiscal year 2023-24	149,695	
Unassigned - Projected for use in fiscal years 2024-25 and 2025-26	163,400	
Unassigned - Available for future appropriations	39,795	
Subtotal		1,308,986
Fund Balance, June 30, 2022 - Budget basis		$ 3,214,031

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Our City Our Home Fund – Accounts for revenue from City's homelessness gross receipts tax, dedicated for homelessness services and affordable housing, which was authorized by voters through November 2018 Proposition C.

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.

Tax Increment Financing Districts Fund – Accounts for the activities of various Infrastructure Financing Districts and Infrastructure and Revitalization Districts which have been established for the purpose of financing public infrastructure and affordable housing.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

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

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.

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, 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. Also accounts for activities reported in the Fire Protection Systems Improvement Fund in the prior year.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Recreation and Park Projects 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, 2022
(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	$ 3,291,465	$ 175,117	$ 480,795	$ 3,573	$ 3,950,950
Deposits and investments outside City Treasury	172,182	71,846	86,799	-	330,827
Receivables:					
Property taxes and penalties	3,814	5,014	-	-	8,828
Other local taxes	129,711	-	-	-	129,711
Federal and state grants and subventions	146,661	-	9,226	-	155,887
Charges for services	17,001	-	-	-	17,001
Interest and other	8,084	367	446	3	8,900
Due from other funds	655	-	7,187	-	7,842
Due from component units	9,944	-	-	-	9,944
Advance to component unit	1,124	-	-	-	1,124
Loans receivable (net of allowance for uncollectible amounts)	174,572	-	-	-	174,572
Other assets	17,116	-	-	-	17,116
Total assets	$ 3,972,329	$ 252,344	$ 584,453	$ 3,576	$ 4,812,702
Liabilities:					
Accounts payable	$ 178,271	$ -	$ 16,600	$ 1	$ 194,872
Accrued payroll	28,363	-	1,253	-	29,616
Unearned grant and subvention revenues	169,018	-	3,467	-	172,485
Due to other funds	62,007	-	4,475	-	66,482
Unearned revenues and other liabilities	141,903	23,846	5,686	-	171,435
Bonds, loans, leases, and other payables	20,157	-	9,614	-	29,771
Total liabilities	599,719	23,846	41,095	1	664,661
Deferred inflows of resources	265,245	4,496	3,773	-	273,514
Fund balances:					
Nonspendable	124	-	-	-	124
Restricted	2,848,675	224,002	539,585	3,575	3,615,837
Assigned	259,607	-	-	-	259,607
Unassigned	(1,041)	-	-	-	(1,041)
Total fund balances	3,107,365	224,002	539,585	3,575	3,874,527
Total liabilities, deferred inflows of resources and fund balances	$ 3,972,329	$ 252,344	$ 584,453	$ 3,576	$ 4,812,702

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2022

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 312,695	$ 349,434	$ -	$ -	$ 662,129
Business taxes	465,503	-	-	-	465,503
Sales and use tax	104,818	-	-	-	104,818
Hotel room tax	16,455	-	-	-	16,455
Other local taxes	12,490	-	-	-	12,490
Licenses, permits, and franchises	14,756	-	-	-	14,756
Fines, forfeitures, and penalties	18,619	20,207	-	-	38,826
Interest and investment loss	(54,443)	(2,931)	(9,921)	(77)	(67,372)
Rents and concessions	120,605	-	177	-	120,782
Intergovernmental:					
Federal	298,546	-	2,334	-	300,880
State	205,212	701	4,362	-	210,275
Other	13,459	-	3,821	-	17,280
Charges for services	158,832	-	-	-	158,832
Other	156,371	5,501	1,346	16	163,234
Total revenues	1,843,918	372,912	2,119	(61)	2,218,888
Expenditures:					
Current:					
Public protection	81,624	-	-	-	81,624
Public works, transportation and commerce	239,337	-	-	-	239,337
Human welfare and neighborhood development	1,061,799	-	-	-	1,061,799
Community health	179,664	-	-	-	179,664
Culture and recreation	305,295	-	-	292	305,587
General administration and finance	78,443	-	-	-	78,443
Distributions to other governments	47,296	-	-	-	47,296
Debt service:					
Principal retirement	15,074	356,620	-	-	371,694
Interest and other fiscal charges	9,813	156,408	363	-	166,584
Bond issuance costs	-	1,906	1,424	-	3,330
Payment to refunded bond escrow agent	-	7,768	-	-	7,768
Capital outlay	-	-	208,851	-	208,851
Total expenditures	2,018,345	522,702	210,638	292	2,751,977
Excess (deficiency) of revenues over (under) expenditures	(174,427)	(149,790)	(208,519)	(353)	(533,089)
Other financing sources (uses):					
Transfers in	503,521	156,758	13,506	10	673,795
Transfers out	(203,716)	(7)	(213,099)	-	(416,822)
Issuance of bonds:					
Face value of bonds issued	-	-	468,380	-	468,380
Face value of refunding debt issued	-	414,205	-	-	414,205
Premium on issuance of bonds	-	53,434	70,977	-	124,411
Payment to refunded bond escrow agent	-	(463,448)	-	-	(463,448)
Total other financing sources (uses)	299,805	160,942	339,764	10	800,521
Net changes in fund balances	125,378	11,152	131,245	(343)	267,432
Fund balances at beginning of year	2,981,987	212,850	408,340	3,918	3,607,095
Fund balances at end of year	$ 3,107,365	$ 224,002	$ 539,585	$ 3,575	$ 3,874,527

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds

June 30, 2022

(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Culture and Recreation Fund
Assets:						
Deposits and investments with City Treasury	$ 114,667	$ 635,907	$ 992,333	$ 89,424	$ 38,356	$ 48,917
Deposits and investments outside City Treasury	5	-	112,257	-	-	2,493
Receivables:						
Property taxes and penalties	-	1,634	-	-	-	-
Other local taxes	-	37,025	-	-	-	-
Federal and state grants and subventions	-	3,020	16,875	39,831	-	113
Charges for services	222	-	66	10	5,996	87
Interest and other	108	634	893	84	2,793	14
Due from other funds	-	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	155	-	173,971	-	-	-
Other assets	-	-	16,179	-	-	-
Total assets	$ 115,157	$ 678,220	$ 1,312,574	$ 129,349	$ 47,145	$ 51,624
Liabilities:						
Accounts payable	$ 2,055	$ 25,090	$ 25,217	$ 30,797	$ 7,972	$ 4,537
Accrued payroll	2,678	1,166	1,409	2,502	43	268
Unearned grant and subvention revenues	-	7,595	68,532	3,143	-	97
Due to other funds	-	-	7	503	-	-
Unearned revenues and other liabilities	8,977	20,948	1,277	-	3,071	811
Bonds, loans, leases, and other payables	-	-	17,753	-	-	-
Total liabilities	13,710	54,799	114,195	36,945	11,086	5,713
Deferred inflows of resources	155	3,939	178,057	24,899	-	113
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	101,292	619,482	892,469	67,505	36,059	34,047
Assigned	-	-	127,853	-	-	11,751
Unassigned	-	-	-	-	-	-
Total fund balances	101,292	619,482	1,020,322	67,505	36,059	45,798
Total liabilities, deferred inflows of resources and fund balances	$ 115,157	$ 678,220	$ 1,312,574	$ 129,349	$ 47,145	$ 51,624

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2022
(In Thousands)

	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund	Human Welfare Fund
Assets:						
Deposits and investments with City Treasury	$ 1,021	$ 83,784	$ 37,588	$ 21,873	$ 12,242	$ 70,272
Deposits and investments outside City Treasury	-	-	-	3	-	-
Receivables:						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	628	7,530	387	-	-	16,832
Charges for services	4	186	721	217	517	-
Interest and other	-	56	520	7	12	55
Due from other funds	115	-	-	-	-	-
Due from component units	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	-
Other assets	-	-	33	-	-	6
Total assets	$ 1,768	$ 91,556	$ 39,249	$ 22,100	$ 12,771	$ 87,165
Liabilities:						
Accounts payable	$ 180	$ 5,360	$ 2,092	$ 598	$ 2,216	$ 17,286
Accrued payroll	186	617	686	29	346	326
Unearned grant and subvention revenues	538	-	6,793	204	-	53,610
Due to other funds	-	-	-	-	-	-
Unearned revenues and other liabilities	-	8	45	-	-	-
Bonds, loans, leases, and other payables	-	-	-	-	-	-
Total liabilities	904	5,985	9,616	831	2,562	71,222
Deferred inflows of resources	445	186	239	181	-	1,384
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	419	85,385	8,870	21,088	-	14,324
Assigned	-	-	20,524	-	10,209	235
Unassigned	-	-	-	-	-	-
Total fund balances	419	85,385	29,394	21,088	10,209	14,559
Total liabilities, deferred inflows of resources and fund balances	$ 1,768	$ 91,556	$ 39,249	$ 22,100	$ 12,771	$ 87,165

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2022
(In Thousands)

	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Our City Our Home Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury	$ 60,290	$ 76,106	$ 578,762	$ 142,193	$ 81,091	$ 104,389
Deposits and investments outside City Treasury	-	-	-	-	2,406	-
Receivables:						
Property taxes and penalties	-	1,090	-	1,090	-	-
Other local taxes	-	-	72,166	-	-	451
Federal and state grants and subventions	-	-	-	-	26,788	-
Charges for services	-	-	193	8	2,333	5,821
Interest and other	54	67	552	61	12	32
Due from other funds	-	-	-	-	-	58
Due from component units	-	-	-	-	-	4,565
Advance to component unit	1,124	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	446	-	-	-	-	-
Other assets	-	774	-	-	-	-
Total assets	$ 61,914	$ 78,037	$ 651,673	$ 143,352	$ 112,630	$ 115,316
Liabilities:						
Accounts payable	$ 117	$ 401	$ 16,826	$ 4,659	$ 5,222	$ 4,926
Accrued payroll	56	1,371	994	5,157	1,914	5,566
Unearned grant and subvention revenues	-	-	-	1,085	27,421	-
Due to other funds	-	-	-	-	-	365
Unearned revenues and other liabilities	2,032	5,135	86,353	5,134	18	6,112
Bonds, loans, leases, and other payables	-	-	-	-	2,404	-
Total liabilities	2,205	6,907	104,173	16,035	36,979	16,969
Deferred inflows of resources	1,569	977	98	979	16,688	5,050
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	58,140	70,153	547,402	124,984	52,891	11,688
Assigned	-	-	-	1,354	6,072	81,609
Unassigned	-	-	-	-	-	-
Total fund balances	58,140	70,153	547,402	126,338	58,963	93,297
Total liabilities, deferred inflows of resources and fund balances	$ 61,914	$ 78,037	$ 651,673	$ 143,352	$ 112,630	$ 115,316

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2022
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	Tax Increment Financing Districts Fund	War Memorial Fund	Total
Assets:						
Deposits and investments with City Treasury	$ 33,733	$ 52,630	$ -	$ 4,146	$ 11,741	$ 3,291,465
Deposits and investments outside City Treasury	129	54,889	-	-	-	172,182
Receivables:						
Property taxes and penalties	-	-	-	-	-	3,814
Other local taxes	-	20,069	-	-	-	129,711
Federal and state grants and subventions	-	32,745	1,912	-	-	146,661
Charges for services	513	-	-	-	107	17,001
Interest and other	2	2,118	-	-	10	8,084
Due from other funds	-	482	-	-	-	655
Due from component units	-	5,379	-	-	-	9,944
Advance to component unit	-	-	-	-	-	1,124
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	174,572
Other assets	-	124	-	-	-	17,116
Total assets	$ 34,377	$ 168,436	$ 1,912	$ 4,146	$ 11,858	$ 3,972,329
Liabilities:						
Accounts payable	$ 2,846	$ 18,373	$ 452	$ 783	$ 266	$ 178,271
Accrued payroll	2,194	298	-	-	557	28,363
Unearned grant and subvention revenues	-	-	-	-	-	169,018
Due to other funds	127	59,545	1,460	-	-	62,007
Unearned revenues and other liabilities	1,813	-	-	-	169	141,903
Bonds, loans, leases, and other payables	-	-	-	-	-	20,157
Total liabilities	6,980	78,216	1,912	783	992	599,719
Deferred inflows of resources	-	29,245	1,041	-	-	265,245
Fund balances:						
Nonspendable	-	124	-	-	-	124
Restricted	27,397	60,851	-	3,363	10,866	2,848,675
Assigned	-	-	-	-	-	259,607
Unassigned	-	-	(1,041)	-	-	(1,041)
Total fund balances	27,397	60,975	(1,041)	3,363	10,866	3,107,365
Total liabilities, deferred inflows of resources and fund balances	$ 34,377	$ 168,436	$ 1,912	$ 4,146	$ 11,858	$ 3,972,329

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, 2022
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Culture and Recreation Fund
Revenues:						
Property taxes	$ -	$ 163,288	$ -	$ -	$ -	$ -
Business taxes	-	189,294	2,338	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	16,455
Other local taxes	-	-	-	-	-	-
Licenses, permits, and franchises	6,924	-	-	-	-	2
Fines, forfeitures, and penalties	-	-	617	1,739	-	-
Interest and investment income (loss)	(2,615)	(15,137)	(12,768)	(1,949)	10	(398)
Rents and concessions	-	-	637	-	28,282	542
Intergovernmental:						
Federal	-	9,656	75,069	64,633	-	-
State	-	13,593	4,188	76,985	-	134
Other	-	-	-	-	-	77
Charges for services	50,837	-	13,652	4,630	-	5,677
Other	11	5,667	130,572	6,665	-	1,067
Total revenues	55,157	366,361	214,305	152,703	28,292	23,556
Expenditures:						
Current:						
Public protection	-	-	-	178	-	-
Public works, transportation and commerce	85,095	17	17,439	592	-	1,540
Human welfare and neighborhood development	-	318,691	373,655	350	-	3,145
Community health	-	-	186	143,752	-	-
Culture and recreation	-	-	2,091	-	46,191	14,385
General administration and finance	-	-	6,434	-	-	12,668
Distributions to other governments	-	47,296	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	496
Interest and other fiscal charges	-	-	1,122	-	-	680
Total expenditures	85,095	366,004	400,927	144,872	46,191	32,914
Excess (deficiency) of revenues over (under) expenditures	(29,938)	357	(186,622)	7,831	(17,899)	(9,358)
Other financing sources (uses):						
Transfers in	457	139,033	63,754	3	61,185	22,008
Transfers out	-	(29,112)	(722)	(56)	(30,496)	-
Total other financing sources (uses)	457	109,921	63,032	(53)	30,689	22,008
Net changes in fund balances	(29,481)	110,278	(123,590)	7,778	12,790	12,650
Fund balances at beginning of year	130,773	509,204	1,143,912	59,727	23,269	33,148
Fund balances at end of year	$ 101,292	$ 619,482	$ 1,020,322	$ 67,505	$ 36,059	$ 45,798

(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, 2022
(In Thousands)

	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund	Human Welfare Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	2,364	-	-	206
Fines, forfeitures, and penalties	-	-	-	1,340	-	3
Interest and investment income (loss)	-	(1,439)	(475)	(183)	(297)	(627)
Rents and concessions	-	-	797	-	4,224	-
Intergovernmental:						
Federal	102	-	238	-	-	92,461
State	2,609	56,509	4,563	-	-	22,456
Other	61	-	-	-	-	-
Charges for services	836	794	1,894	1,025	11,357	180
Other	82	27	1,094	1,501	-	226
Total revenues	3,690	55,891	10,475	3,683	15,284	114,905
Expenditures:						
Current:						
Public protection	-	-	177	165	-	-
Public works, transportation and commerce	-	46,126	-	834	-	222
Human welfare and neighborhood development	3,643	-	100	1,810	-	173,293
Community health	-	-	-	41	-	-
Culture and recreation	-	-	859	919	18,592	-
General administration and finance	-	14	9,337	5	-	-
Distributions to other governments	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-
Total expenditures	3,643	46,140	10,473	3,774	18,592	173,515
Excess (deficiency) of revenues over (under) expenditures	47	9,751	2	(91)	(3,308)	(58,610)
Other financing sources (uses):						
Transfers in	999	617	632	345	1,787	64,293
Transfers out	-	(2,875)	-	-	(1,180)	-
Total other financing sources (uses)	999	(2,258)	632	345	607	64,293
Net changes in fund balances	1,046	7,493	634	254	(2,701)	5,683
Fund balances at beginning of year	(627)	77,892	28,760	20,834	12,910	8,876
Fund balances at end of year	$ 419	$ 85,385	$ 29,394	$ 21,088	$ 10,209	$ 14,559

(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, 2022
(In Thousands)

	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Our City Our Home Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ 72,559	$ -	$ 72,559	$ -	$ -
Business taxes	-	-	273,871	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	12,490
Licenses, permits, and franchises	-	-	-	-	608	-
Fines, forfeitures, and penalties	-	-	-	-	14,855	65
Interest and investment income (loss)	1,987	(1,984)	(14,325)	(1,662)	(256)	(783)
Rents and concessions	5,771	-	123	1	-	-
Intergovernmental:						
Federal	-	-	-	-	40,064	-
State	-	146	-	212	19,698	-
Other	1,773	-	-	-	4	4,920
Charges for services	-	-	-	236	21,637	44,825
Other	5,789	-	12	142	2,129	505
Total revenues	15,320	70,721	259,681	71,488	98,739	62,022
Expenditures:						
Current:						
Public protection	-	-	397	-	80,707	-
Public works, transportation and commerce	-	340	2,208	5,245	-	40,482
Human welfare and neighborhood development	3,379	-	153,578	-	5,786	15,645
Community health	-	-	35,685	-	-	-
Culture and recreation	-	56,104	-	147,520	-	-
General administration and finance	-	-	1,363	-	3,263	267
Distributions to other governments	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	3	-
Total expenditures	3,379	56,444	193,231	152,765	89,759	56,394
Excess (deficiency) of revenues over (under) expenditures	11,941	14,277	66,450	(81,277)	8,980	5,628
Other financing sources (uses):						
Transfers in	3	1,180	-	100,191	1,680	24,212
Transfers out	-	(11,347)	-	-	(1,220)	(14,749)
Total other financing sources (uses)	3	(10,167)	-	100,191	460	9,463
Net changes in fund balances	11,944	4,110	66,450	18,914	9,440	15,091
Fund balances at beginning of year	46,196	66,043	480,952	107,424	49,523	78,206
Fund balances at end of year	$ 58,140	$ 70,153	$ 547,402	$ 126,338	$ 58,963	$ 93,297

(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, 2022
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	Tax Increment Financing Districts Fund	War Memorial Fund	Total
Revenues:						
Property taxes	$ -	$ -	$ -	$ 4,289	$ -	$ 312,695
Business taxes	-	-	-	-	-	465,503
Sales and use tax	-	104,818	-	-	-	104,818
Hotel room tax	-	-	-	-	-	16,455
Other local taxes	-	-	-	-	-	12,490
Licenses, permits, and franchises	-	4,652	-	-	-	14,756
Fines, forfeitures, and penalties	-	-	-	-	-	18,619
Interest and investment income (loss)	(20)	(1,201)	24	(121)	(224)	(54,443)
Rents and concessions	77,313	-	-	-	2,915	120,605
Intergovernmental:						
Federal	-	8,111	5,917	-	2,295	298,546
State	-	1,060	3,059	-	-	205,212
Other	865	5,759	-	-	-	13,459
Charges for services	704	-	-	-	548	158,832
Other	882	-	-	-	-	156,371
Total revenues	79,744	123,199	9,000	4,168	5,534	1,843,918
Expenditures:						
Current:						
Public protection	-	-	-	-	-	81,624
Public works, transportation and commerce	91	38,946	-	-	160	239,337
Human welfare and neighborhood development	-	-	8,724	-	-	1,061,799
Community health	-	-	-	-	-	179,664
Culture and recreation	-	-	-	-	18,634	305,295
General administration and finance	44,287	-	-	805	-	78,443
Distributions to other governments	-	-	-	-	-	47,296
Debt service:						
Principal retirement	-	14,578	-	-	-	15,074
Interest and other fiscal charges	6	8,002	-	-	-	9,813
Total expenditures	44,384	61,526	8,724	805	18,794	2,018,345
Excess (deficiency) of revenues over (under) expenditures	35,360	61,673	276	3,363	(13,260)	(174,427)
Other financing sources (uses):						
Transfers in	785	6,120	-	-	14,237	503,521
Transfers out	(24,155)	(87,780)	(24)	-	-	(203,716)
Total other financing sources (uses)	(23,370)	(81,660)	(24)	-	14,237	299,805
Net changes in fund balances	11,990	(19,987)	252	3,363	977	125,378
Fund balances at beginning of year	15,407	80,962	(1,293)	-	9,889	2,981,987
Fund balances at end of year	$ 27,397	$ 60,975	$ (1,041)	$ 3,363	$ 10,866	$ 3,107,365

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, 2022
(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	$ -	$ -	$ -	$ -	$ 110,280	$ 157,457	$ 163,288	$ 5,831
Business taxes	-	-	-	-	218,600	189,294	189,294	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,334	6,334	6,924	590	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	2,500	2,500	676	(1,824)	795	3,428	3,573	145
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,979	9,640	9,766	126
State	-	-	-	-	13,499	13,070	13,369	299
Other	-	-	-	-	-	-	-	-
Charges for services	41,828	41,952	50,837	8,885	-	-	-	-
Other	-	-	11	11	853	5,606	5,667	61
Total revenues	50,662	50,786	58,448	7,662	354,006	378,495	384,957	6,462
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	89,494	91,295	84,937	6,358	-	17	17	-
Human welfare and neighborhood development	-	-	-	-	466,459	331,102	318,616	12,486
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Distributions to other governments	-	-	-	-	-	47,296	47,296	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	89,494	91,295	84,937	6,358	466,459	378,415	365,929	12,486
Excess (deficiency) of revenues over (under) expenditures	(38,832)	(40,509)	(26,489)	14,020	(112,453)	80	19,028	18,948
Other financing sources (uses):								
Transfers in	300	300	300	-	124,263	138,959	138,959	-
Transfers out	-	-	-	-	(32,790)	(34,382)	(29,112)	5,270
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	300	300	300	-	91,473	104,577	109,847	5,270
Net changes in fund balances	(38,532)	(40,209)	(26,189)	14,020	(20,980)	104,657	128,875	24,218
Budgetary fund balances, July 1	38,532	130,633	130,633	-	20,980	511,239	511,239	-
Budgetary fund balances, June 30	$ -	$ 90,424	$ 104,444	$ 14,020	$ -	$ 615,896	$ 640,114	$ 24,218

(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, 2022
(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	2,500	2,338	2,338	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	617	617	-	5,017	1,739	1,739	-
Interest and investment income	-	12,572	12,572	-	228	727	727	-
Rents and concessions	30	277	277	-	-	-	-	-
Intergovernmental:								
Federal	26,936	72,248	72,248	-	94,660	74,262	74,262	-
State	2,568	5,025	5,025	-	77,110	76,071	76,071	-
Other	-	-	-	-	-	-	-	-
Charges for services	16,395	16,461	13,652	(2,809)	130	4,630	4,630	-
Other	25,870	130,572	130,571	(1)	299	3,986	3,986	-
Total revenues	74,299	240,110	237,300	(2,810)	177,444	161,415	161,415	-
Expenditures:								
Current:								
Public protection	-	-	-	-	237	178	178	-
Public works, transportation and commerce	10,175	17,439	17,439	-	-	592	592	-
Human welfare and neighborhood development	104,822	368,215	363,493	4,722	609	350	350	-
Community health	-	186	186	-	176,598	143,751	143,751	-
Culture and recreation	9,838	2,091	2,091	-	-	-	-	-
General administration and finance	12,634	6,434	6,434	-	-	-	-	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	2,250	2,250	-	-	-	-	-
Interest and other fiscal charges	-	1,122	1,122	-	-	-	-	-
Total expenditures	137,469	397,737	393,015	4,722	177,444	144,871	144,871	-
Excess (deficiency) of revenues over (under) expenditures	(63,170)	(157,627)	(155,715)	1,912	-	16,544	16,544	-
Other financing sources (uses):								
Transfers in	60,000	60,003	60,003	-	-	3	3	-
Transfers out	(2,250)	(722)	(722)	-	-	-	-	-
Issuance of commercial paper	-	1,243	1,243	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	179	-	-	-	-	-	-	-
Total other financing sources (uses)	57,929	60,524	60,524	-	-	3	3	-
Net changes in fund balances	(5,241)	(97,103)	(95,191)	1,912	-	16,547	16,547	-
Budgetary fund balances, July 1	5,241	1,153,369	1,153,369	-	-	78,530	78,530	-
Budgetary fund balances, June 30	$ -	$ 1,056,266	$ 1,058,178	$ 1,912	$ -	$ 95,077	$ 95,077	$ -

(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, 2022
(In Thousands)

	Convention Facilities Fund				Culture and Recreation Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	9,944	16,455	16,455	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	3	3	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	127	127	-	-	83	83	-
Rents and concessions	28,096	31,073	28,282	(2,791)	575	575	542	(33)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	50	159	159	-
Other	-	-	-	-	1,124	77	77	-
Charges for services	-	-	-	-	5,248	5,240	5,677	437
Other	-	-	-	-	1,895	1,067	1,067	-
Total revenues	28,096	31,200	28,409	(2,791)	18,836	23,659	24,063	404
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	800	1,540	1,540	-
Human welfare and neighborhood development	-	-	-	-	2,673	3,145	3,145	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	60,118	58,273	45,361	12,912	19,898	13,961	13,485	476
General administration and finance	-	-	-	-	14,523	12,668	12,668	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	28,334	506	506	-	758	560	496	64
Interest and other fiscal charges	-	-	-	-	1,049	1,248	1,248	-
Total expenditures	88,452	58,779	45,867	12,912	39,701	33,122	32,582	540
Excess (deficiency) of revenues over (under) expenditures	(60,356)	(27,579)	(17,458)	10,121	(20,865)	(9,463)	(8,519)	944
Other financing sources (uses):								
Transfers in	60,356	60,356	60,356	-	20,847	21,110	21,110	-
Transfers out	-	(29,990)	(29,990)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	60,356	30,366	30,366	-	20,847	21,110	21,110	-
Net changes in fund balances	-	2,787	12,908	10,121	(18)	11,647	12,591	944
Budgetary fund balances, July 1	-	28,036	28,036	-	18	36,178	36,178	-
Budgetary fund balances, June 30	$ -	$ 30,823	$ 40,944	$ 10,121	$ -	$ 47,825	$ 48,769	$ 944

(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, 2022
(In Thousands)

	Environmental Protection Fund				Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	42	232	336	104
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	102	102	-	-	-	-	-
State	601	2,777	2,777	-	56,065	58,022	56,509	(1,513)
Other	-	66	66	-	-	-	-	-
Charges for services	177	853	840	(13)	666	666	794	128
Other	1,947	2,037	90	(1,947)	-	-	27	27
Total revenues	2,725	5,835	3,875	(1,960)	56,773	58,920	57,666	(1,254)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	56,686	49,931	45,509	4,422
Human welfare and neighborhood development	3,474	7,075	3,619	3,456	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	14	14	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	3,474	7,075	3,619	3,456	56,686	49,945	45,523	4,422
Excess (deficiency) of revenues over (under) expenditures	(749)	(1,240)	256	1,496	87	8,975	12,143	3,168
Other financing sources (uses):								
Transfers in	749	976	976	-	-	-	-	-
Transfers out	-	-	-	-	(3,099)	(3,099)	(2,875)	224
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	749	976	976	-	(3,099)	(3,099)	(2,875)	224
Net changes in fund balances	-	(264)	1,232	1,496	(3,012)	5,876	9,268	3,392
Budgetary fund balances, July 1	-	(367)	(367)	-	3,012	78,150	78,150	-
Budgetary fund balances, June 30	$ -	$ (631)	$ 865	$ 1,496	$ -	$ 84,026	$ 87,418	$ 3,392

(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, 2022
(In Thousands)

	General Services Fund				Gift and Other Expendable Trusts Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	1,701	1,877	1,877	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	1,342	1,368	26
Interest and investment income	-	107	107	-	-	41	41	-
Rents and concessions	-	797	797	-	-	-	-	-
Intergovernmental:								
Federal	-	25	25	-	-	-	-	-
State	-	4,747	4,747	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	1,882	1,892	1,892	-	-	1,025	1,025	-
Other	1,969	1,105	1,105	-	1,492	1,501	1,501	-
Total revenues	5,552	10,550	10,550	-	1,492	3,909	3,935	26
Expenditures:								
Current:								
Public protection	310	177	177	-	-	165	165	-
Public works, transportation and commerce	-	-	-	-	-	834	834	-
Human welfare and neighborhood development	-	100	100	-	256	1,465	1,465	-
Community health	-	-	-	-	504	41	41	-
Culture and recreation	-	859	859	-	732	921	921	-
General administration and finance	6,688	8,854	8,690	164	-	5	5	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	6,998	9,990	9,826	164	1,492	3,431	3,431	-
Excess (deficiency) of revenues over (under) expenditures	(1,446)	560	724	164	-	478	504	26
Other financing sources (uses):								
Transfers in	159	127	127	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	159	127	127	-	-	-	-	-
Net changes in fund balances	(1,287)	687	851	164	-	478	504	26
Budgetary fund balances, July 1	1,287	29,321	29,321	-	-	20,971	20,971	-
Budgetary fund balances, June 30	$ -	$ 30,008	$ 30,172	$ 164	$ -	$ 21,449	$ 21,475	$ 26

(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, 2022
(In Thousands)

	Golf Fund				Human Welfare Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	220	220	206	(14)
Fines, forfeitures, and penalties	-	-	-	-	-	-	3	3
Interest and investment income	-	21	75	54	300	170	170	-
Rents and concessions	4,065	4,065	4,224	159	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	61,893	90,200	90,200	-
State	-	-	-	-	363	22,329	22,329	-
Other	-	-	-	-	-	-	-	-
Charges for services	11,200	11,136	11,357	221	161	173	180	7
Other	-	-	-	-	-	226	226	-
Total revenues	15,265	15,222	15,656	434	62,937	113,318	113,314	(4)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	222	222	-
Human welfare and neighborhood development	-	-	-	-	125,788	172,269	172,231	38
Community health	-	-	-	-	-	-	-	-
Culture and recreation	19,428	18,608	18,592	16	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	19,428	18,608	18,592	16	125,788	172,491	172,453	38
Excess (deficiency) of revenues over (under) expenditures	(4,163)	(3,386)	(2,936)	450	(62,851)	(59,173)	(59,139)	34
Other financing sources (uses):								
Transfers in	1,787	1,787	1,787	-	62,799	63,231	63,231	-
Transfers out	(1,180)	(1,180)	(1,180)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	607	607	607	-	62,799	63,231	63,231	-
Net changes in fund balances	(3,556)	(2,779)	(2,329)	450	(52)	4,058	4,092	34
Budgetary fund balances, July 1	3,556	12,900	12,900	-	52	12,628	12,628	-
Budgetary fund balances, June 30	$ -	$ 10,121	$ 10,571	$ 450	$ -	$ 16,686	$ 16,720	$ 34

(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, 2022
(In Thousands)

	Low and Moderate Income Housing Asset Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 68,927	$ 68,927	$ 72,559	$ 3,632
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	3,796	3,796	-	-	57	308	251
Rents and concessions	5,000	5,771	5,771	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	170	170	146	(24)
Other	1,833	1,773	1,773	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other	-	5,789	5,789	-	-	-	-	-
Total revenues	6,833	17,129	17,129	-	69,097	69,154	73,013	3,859
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	340	340	-
Human welfare and neighborhood development	5,000	3,376	3,376	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	68,193	66,979	56,273	10,706
General administration and finance	-	-	-	-	-	-	-	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	1,833	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	6,833	3,376	3,376	-	68,193	67,319	56,613	10,706
Excess (deficiency) of revenues over (under) expenditures	-	13,753	13,753	-	904	1,835	16,400	14,565
Other financing sources (uses):								
Transfers in	-	-	-	-	1,180	1,180	1,180	-
Transfers out	-	-	-	-	(11,347)	(11,347)	(11,347)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(10,167)	(10,167)	(10,167)	-
Net changes in fund balances	-	13,753	13,753	-	(9,263)	(8,332)	6,233	14,565
Budgetary fund balances, July 1	-	51,222	51,222	-	9,263	65,979	65,979	-
Budgetary fund balances, June 30	$ -	$ 64,975	$ 64,975	$ -	$ -	$ 57,647	$ 72,212	$ 14,565

(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, 2022
(In Thousands)

	Our City Our Home Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 68,927	$ 68,927	$ 72,559	$ 3,632
Business taxes	335,570	273,871	273,871	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	3,095	3,095	-	222	231	257	26
Rents and concessions	-	221	221	-	4	4	1	(3)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	230	236	212	(24)
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	175	323	236	(87)
Other	-	12	12	-	-	142	142	-
Total revenues	335,570	277,199	277,199	-	69,558	69,863	73,407	3,544
Expenditures:								
Current:								
Public protection	-	397	397	-	-	-	-	-
Public works, transportation and commerce	-	2,208	2,208	-	-	5,245	5,245	-
Human welfare and neighborhood development	299,019	153,733	153,578	155	-	-	-	-
Community health	137,510	35,685	35,685	-	-	-	-	-
Culture and recreation	-	-	-	-	163,027	151,323	145,802	5,521
General administration and finance	2,500	1,363	1,363	-	-	-	-	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	439,029	193,386	193,231	155	163,027	156,568	151,047	5,521
Excess (deficiency) of revenues over (under) expenditures	(103,459)	83,813	83,968	155	(93,469)	(86,705)	(77,640)	9,065
Other financing sources (uses):								
Transfers in	-	-	-	-	87,960	98,473	98,473	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	87,960	98,473	98,473	-
Net changes in fund balances	(103,459)	83,813	83,968	155	(5,509)	11,768	20,833	9,065
Budgetary fund balances, July 1	103,459	480,552	480,552	-	5,509	110,144	110,144	-
Budgetary fund balances, June 30	$ -	$ 564,365	$ 564,520	$ 155	$ -	$ 121,912	$ 130,977	$ 9,065

(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, 2022
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	8,637	12,490	12,490	-
Licenses, permits, and franchises	979	484	484	-	-	-	-	-
Fines, forfeitures, and penalties	6,318	14,855	14,855	-	-	135	135	-
Interest and investment income	-	61	61	-	-	196	196	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	48,418	40,299	40,299	-	-	-	-	-
State	25,787	20,094	20,094	-	-	-	-	-
Other	-	4	4	-	200	5,517	5,517	-
Charges for services	3,398	20,084	20,084	-	27,317	41,820	41,606	(214)
Other	10	2,129	2,129	-	-	538	540	2
Total revenues	84,910	98,010	98,010	-	36,154	60,696	60,484	(212)
Expenditures:								
Current:								
Public protection	76,089	79,028	79,028	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	32,193	48,303	38,725	9,578
Human welfare and neighborhood development	6,514	5,786	5,786	-	16,109	16,550	15,645	905
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	5,289	3,263	3,263	-	200	267	267	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	3	3	-	-	-	-	-
Total expenditures	87,892	88,080	88,080	-	48,502	65,120	54,637	10,483
Excess (deficiency) of revenues over (under) expenditures	(2,982)	9,930	9,930	-	(12,348)	(4,424)	5,847	10,271
Other financing sources (uses):								
Transfers in	-	-	-	-	19,831	22,457	22,457	-
Transfers out	(1,291)	(1,220)	(1,220)	-	(10,318)	(14,749)	(14,749)	-
Issuance of commercial paper	-	2,404	2,404	-	-	-	-	-
Issuance of bonds	2,401	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(3,934)	(3,934)	-	3,934
Total other financing sources (uses)	1,110	1,184	1,184	-	5,579	3,774	7,708	3,934
Net changes in fund balances	(1,872)	11,114	11,114	-	(6,769)	(650)	13,555	14,205
Budgetary fund balances, July 1	1,872	67,824	67,824	-	6,769	84,105	84,105	-
Budgetary fund balances, June 30	$ -	$ 78,938	$ 78,938	$ -	$ -	$ 83,455	$ 97,660	$ 14,205

(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, 2022

(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	-	-	-	-	92,880	92,880	104,818	11,938
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	4,834	4,834	4,652	(182)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	7	8	1	634	325	(1,201)	(1,526)
Rents and concessions	11,543	74,907	76,630	1,723	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	8,630	10,290	8,111	(2,179)
State	-	-	-	-	3,588	5,067	1,060	(4,007)
Other	865	865	865	-	11,457	8,648	5,759	(2,889)
Charges for services	417	417	704	287	-	-	-	-
Other	481	921	882	(39)	47	-	-	-
Total revenues	13,306	77,117	79,089	1,972	122,070	122,044	123,199	1,155
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	91	91	-	203,767	190,928	126,726	64,202
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	45,024	43,718	1,306	-	-	-	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	16,012	182	-	182	13,710	13,710	14,578	(868)
Interest and other fiscal charges	-	6	6	-	8,483	8,012	8,002	10
Total expenditures	16,012	45,303	43,815	1,488	225,960	212,650	149,306	63,344
Excess (deficiency) of revenues over (under) expenditures	(2,706)	31,814	35,274	3,460	(103,890)	(90,606)	(26,107)	64,499
Other financing sources (uses):								
Transfers in	-	-	-	-	4,199	5,880	6,120	240
Transfers out	-	(24,155)	(24,155)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	100,000	50,000	-	(50,000)
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(24,155)	(24,155)	-	104,199	55,880	6,120	(49,760)
Net changes in fund balances	(2,706)	7,659	11,119	3,460	309	(34,726)	(19,987)	14,739
Budgetary fund balances, July 1	2,706	15,935	15,935	-	80,962	80,962	80,962	-
Budgetary fund balances, June 30	$ -	$ 23,594	$ 27,054	$ 3,460	$ 81,271	$ 46,236	$ 60,975	$ 14,739

(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, 2022

(In Thousands)

	Senior Citizens Program Fund				Tax Increment Financing Districts Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 4,289	$ 4,289	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	1	1	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	5,241	5,988	5,988	-	-	-	-	-
State	1,271	2,736	2,736	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total revenues	6,512	8,724	8,724	-	-	4,290	4,290	-
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	6,512	8,724	8,724	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	805	805	-
Distributions to other governments	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	6,512	8,724	8,724	-	-	805	805	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	3,485	3,485	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net changes in fund balances	-	-	-	-	-	3,485	3,485	-
Budgetary fund balances, July 1	-	-	-	-	-	-	-	-
Budgetary fund balances, June 30	$ -	$ -	$ -	$ -	$ -	$ 3,485	$ 3,485	$ -

(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, 2022
(In Thousands)

	War Memorial Fund				Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 248,134	$ 299,600	$ 312,695	$ 13,095
Business taxes	-	-	-	-	556,670	465,503	465,503	-
Sales and use tax	-	-	-	-	92,880	92,880	104,818	11,938
Hotel room tax	-	-	-	-	9,944	16,455	16,455	-
Other local taxes	-	-	-	-	8,637	12,490	12,490	-
Licenses, permits, and franchises	-	-	-	-	14,068	13,752	14,146	394
Fines, forfeitures, and penalties	-	-	-	-	11,335	18,688	18,717	29
Interest and investment income	-	22	55	33	4,721	27,799	25,063	(2,736)
Rents and concessions	2,064	2,522	2,915	393	51,377	120,212	119,660	(552)
Intergovernmental:								
Federal	-	2,295	2,295	-	255,757	305,349	303,296	(2,053)
State	-	-	-	-	181,302	210,503	205,234	(5,269)
Other	-	-	-	-	15,479	16,950	14,061	(2,889)
Charges for services	199	281	548	267	109,193	146,953	154,062	7,109
Other	-	-	-	-	34,863	155,631	153,745	(1,886)
Total revenues	2,263	5,120	5,813	693	1,594,360	1,902,765	1,919,945	17,180
Expenditures:								
Current:								
Public protection	-	-	-	-	76,636	79,945	79,945	-
Public works, transportation and commerce	-	160	160	-	393,115	409,145	324,585	84,560
Human welfare and neighborhood development	-	-	-	-	1,037,235	1,071,890	1,050,128	21,762
Community health	-	-	-	-	314,612	179,663	179,663	-
Culture and recreation	17,195	18,889	18,579	310	358,429	331,904	301,963	29,941
General administration and finance	-	-	-	-	41,834	78,697	77,227	1,470
Distributions to other governments	-	-	-	-	-	47,296	47,296	-
Debt service:								
Principal retirement	-	-	-	-	60,647	17,208	17,830	(622)
Interest and other fiscal charges	-	-	-	-	9,532	10,391	10,381	10
Total expenditures	17,195	19,049	18,739	310	2,292,040	2,226,139	2,089,018	137,121
Excess (deficiency) of revenues over (under) expenditures	(14,932)	(13,929)	(12,926)	1,003	(697,680)	(323,374)	(169,073)	154,301
Other financing sources (uses):								
Transfers in	14,182	14,182	14,182	-	458,612	489,024	489,264	240
Transfers out	-	-	-	-	(62,275)	(120,844)	(115,350)	5,494
Issuance of commercial paper	-	-	-	-	-	3,647	3,647	-
Issuance of bonds	-	-	-	-	102,401	50,000	-	(50,000)
Budget reserves and designations	-	-	-	-	(3,755)	(3,934)	-	3,934
Total other financing sources (uses)	14,182	14,182	14,182	-	494,983	417,893	377,561	(40,332)
Net changes in fund balances	(750)	253	1,256	1,003	(202,697)	94,519	208,488	113,969
Budgetary fund balances, July 1	750	9,843	9,843	-	283,968	3,058,154	3,058,154	-
Budgetary fund balances, June 30	$ -	$ 10,096	$ 11,099	$ 1,003	$ 81,271	$ 3,152,673	$ 3,266,642	$ 113,969

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 89,494	$ 91,295	$ 84,937	$ 6,358
Total Building Inspection Fund	89,494	91,295	84,937	6,358
CHILDREN AND FAMILIES FUND				
Public Works, Transportation and Commerce				
Public Works	-	17	17	-
Human Welfare and Neighborhood Development				
Child Support Services	13,128	13,127	13,020	107
Children and Families Commission	13,010	10,843	10,843	-
Children, Youth and Their Families	214,676	227,176	214,797	12,379
Human Services	225,645	79,956	79,956	-
	466,459	331,102	318,616	12,486
Distributions to Other Governments				
Distributions to Other Governments	-	47,296	47,296	-
Total Children and Families Fund	466,459	378,415	365,929	12,486
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Economic and Workforce Development	7,651	7,837	7,837	-
Municipal Transportation Agency	-	433	433	-
Public Utilities Commission	-	396	396	-
Public Works	2,524	8,773	8,773	-
	10,175	17,439	17,439	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	-	200	200	-
Homelessness and Supportive Housing	-	8,449	8,449	-
Human Services	8,523	13,571	13,571	-
Mayor's Office	82,317	255,233	255,233	-
Port	-	77,700	77,700	-
Rent Arbitration Board	13,982	13,062	8,340	4,722
	104,822	368,215	363,493	4,722
Community Health				
Public Health	-	186	186	-
Culture and Recreation				
Arts Commission	50	178	178	-
Recreation and Park Commission	9,788	1,913	1,913	-
	9,838	2,091	2,091	-
General Administration and Finance				
General Services Agency - Administrative Services	2,700	2,354	2,354	-
Planning	9,934	4,080	4,080	-
	12,634	6,434	6,434	-
Total Community / Neighborhood Development Fund	137,469	394,365	389,643	4,722

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COMMUNITY HEALTH SERVICES FUND				
Public Protection				
Adult Probation	237	178	178	-
Public Works, Transportation and Commerce				
Public Works	-	592	592	-
Human Welfare and Neighborhood Development				
Homelessness and Supportive Housing	609	350	350	-
Community Health				
Public Health	176,598	143,751	143,751	-
Total Community Health Services Fund	177,444	144,871	144,871	-
CONVENTION FACILITIES FUND				
Culture and Recreation				
General Services Agency - Administrative Services	60,118	58,273	45,361	12,912
Total Convention Facilities Fund	60,118	58,273	45,361	12,912
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Economic and Workforce Development	800	809	809	-
Public Works	-	731	731	-
	800	1,540	1,540	-
Human Welfare and Neighborhood Development				
Mayor's Office	2,673	3,145	3,145	-
Culture and Recreation				
Arts Commission	13,233	8,758	8,758	-
Asian Art Museum	453	336	336	-
Fine Arts Museums	1,039	1,247	1,247	-
Recreation and Park Commission	5,173	3,620	3,144	476
	19,898	13,961	13,485	476
General Administration and Finance				
General Services Agency - Administrative Services	14,523	12,668	12,668	-
Total Culture and Recreation Fund	37,894	31,314	30,838	476
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Environment	3,474	7,075	3,619	3,456
Total Environmental Protection Fund	3,474	7,075	3,619	3,456

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	953	953	-
Public Utilities Commission	-	142	142	-
Public Works	56,686	48,836	44,414	4,422
	56,686	49,931	45,509	4,422
General Administration and Finance				
Telecommunications and Information Services	-	14	14	-
Total Gasoline Tax Fund	56,686	49,945	45,523	4,422
GENERAL SERVICES FUND				
Public Protection				
District Attorney	310	177	177	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	-	100	100	-
Culture and Recreation				
Fine Arts Museums	-	859	859	-
General Administration and Finance				
Assessor/Recorder	2,047	1,677	1,677	-
Board of Supervisors	61	46	46	-
Elections	-	800	800	-
General Services Agency - Administrative Services	213	3,193	3,193	-
Human Resources	136	266	103	163
Mayor's Office	150	29	29	-
Telecommunications and Information Services	2,398	1,355	1,355	-
Treasurer/Tax Collector	1,683	1,488	1,487	1
	6,688	8,854	8,690	164
Total General Services Fund	6,998	9,990	9,826	164

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
Fire Department	-	33	33	-
Police Department	-	132	132	-
	-	165	165	-
Public Works, Transportation and Commerce				
Public Works	-	834	834	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	-	354	354	-
Environment	60	-	-	-
Human Services	96	232	232	-
Mayor's Office	-	879	879	-
Status of Women	100	-	-	-
	256	1,465	1,465	-
Community Health				
Public Health	504	41	41	-
Culture and Recreation				
Arts Commission	-	99	99	-
Fine Arts Museums	-	631	631	-
Library	5	-	-	-
Recreation and Park Commission	727	191	191	-
	732	921	921	-
General Administration and Finance				
General Services Agency - Administrative Services	-	3	3	-
Telecommunications and Information Services	-	2	2	-
	-	5	5	-
Total Gift and Other Expendable Trusts Fund	1,492	3,431	3,431	-
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	19,428	18,608	18,592	16
Total Golf Fund	19,428	18,608	18,592	16

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
HUMAN WELFARE FUND				
Public Works, Transportation and Commerce				
Public Works	-	222	222	-
Human Welfare and Neighborhood Development				
Homelessness and Supportive Housing	61,294	105,093	105,092	1
Human Services	64,221	64,403	64,403	-
Mayor's Office	-	2,534	2,534	-
Status of Women	273	239	202	37
	125,788	172,269	172,231	38
Total Human Welfare Fund	125,788	172,491	172,453	38
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	5,000	3,376	3,376	-
Total Low and Moderate Income Housing Asset Fund	5,000	3,376	3,376	-
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	15	15	-
Public Works	-	325	325	-
	-	340	340	-
Culture and Recreation				
Recreation and Park Commission	68,193	66,979	56,273	10,706
Total Open Space and Park Fund	68,193	67,319	56,613	10,706
OUR CITY OUR HOME FUND				
Public Protection				
Adult Probation	-	393	393	-
Emergency Management	-	4	4	-
	-	397	397	-
Public Works, Transportation and Commerce				
Public Utilities Commission	-	3	3	-
Public Works	-	2,205	2,205	-
	-	2,208	2,208	-
Human Welfare and Neighborhood Development				
Homelessness and Supportive Housing	299,019	152,787	152,632	155
Human Services	-	608	608	-
Mayor's Office	-	338	338	-
	299,019	153,733	153,578	155
Community Health				
Public Health	137,510	35,685	35,685	-
General Administration and Finance				
Telecommunications and Information Services	-	60	60	-
Controller	1,756	559	559	-
Treasurer/Tax Collector	744	744	744	-
	2,500	1,363	1,363	-
Total Our City Our Home Fund	439,029	193,386	193,231	155

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	14	14	-
Public Works	-	5,231	5,231	-
	-	5,245	5,245	-
Culture and Recreation				
Arts Commission	-	22	22	-
Library	163,027	151,301	145,780	5,521
	163,027	151,323	145,802	5,521
Total Public Library Fund	163,027	156,568	151,047	5,521
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	3,593	3,832	3,832	-
District Attorney	7,939	8,653	8,653	-
Emergency Management	41,827	28,293	28,293	-
Fire Department	-	4,895	4,895	-
Juvenile Probation	10,699	5,846	5,846	-
Police Department	9,511	24,840	24,840	-
Public Defender	43	404	404	-
Sheriff	2,477	2,265	2,265	-
	76,089	79,028	79,028	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	6,514	3,279	3,279	-
Status of Women	-	2,507	2,507	-
	6,514	5,786	5,786	-
General Administration and Finance				
City Attorney	5,289	3,191	3,191	-
General Services Agency - Administrative Services	-	72	72	-
	5,289	3,263	3,263	-
Total Public Protection Fund	87,892	88,077	88,077	-
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	11	11	-
Public Works	32,193	48,260	38,682	9,578
Public Utilities Commission	-	32	32	-
	32,193	48,303	38,725	9,578
Human Welfare and Neighborhood Development				
Environment	16,109	16,550	15,645	905
General Administration and Finance				
Controller	-	5	5	-
Planning	200	58	58	-
Treasurer/Tax Collector	-	204	204	-
	200	267	267	-
Total Public Works, Transportation and Commerce Fund	48,502	65,120	54,637	10,483

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Current Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works	-	91	91	-
General Administration and Finance				
General Services Agency - Administrative Services	-	45,024	43,718	1,306
Total Real Property Fund	-	45,115	43,809	1,306
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	203,767	190,928	126,726	64,202
Total SF County Transportation Authority Fund	203,767	190,928	126,726	64,202
SENIOR CITIZENS PROGRAM FUND				
Human Welfare and Neighborhood Development				
Human Services	6,512	8,724	8,724	-
Total Senior Citizens Program Fund	6,512	8,724	8,724	-
TAX INCREMENT FINANCING DISTRICTS FUND				
General Administration and Finance				
General Services Agency - Administrative Services	-	805	805	-
Total Tax Increment Financing Districts Fund	-	805	805	-
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	160	160	-
Culture and Recreation				
War Memorial	17,195	18,889	18,579	310
Total War Memorial Fund	17,195	19,049	18,739	310
Total Special Revenue Funds With Legally Adopted Budgets	$ 2,221,861	$ 2,198,540	$ 2,060,807	$ 137,733

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2022
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 175,117	$ -	$ -	$ 175,117
Deposits and investments outside City Treasury	35	71,804	7	71,846
Receivables:				
Property taxes and penalties	5,014	-	-	5,014
Interest and other	322	45	-	367
Total assets	$ 180,488	$ 71,849	$ 7	$ 252,344
Liabilities:				
Unearned revenues and other liabilities	$ 23,846	$ -	$ -	$ 23,846
Total liabilities	23,846	-	-	23,846
Deferred inflows of resources	4,496	-	-	4,496
Fund balances:				
Restricted	152,146	71,849	7	224,002
Total fund balances	152,146	71,849	7	224,002
Total liabilities, deferred inflows of resources and fund balances	$ 180,488	$ 71,849	$ 7	$ 252,344

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, 2022
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 349,434	$ -	$ -	$ 349,434
Fines, forfeitures, and penalties	20,207	-	-	20,207
Interest and investment income (loss)	(3,011)	80	-	(2,931)
Intergovernmental				
State	701	-	-	701
Other	5,501	-	-	5,501
Total revenues	372,832	80	-	372,912
Expenditures:				
Debt service:				
Principal retirement	320,268	32,940	3,412	356,620
Interest and other fiscal charges	107,049	49,011	348	156,408
Bond issuance costs	1,906	-	-	1,906
Payment to refunded bond escrow agent	7,768	-	-	7,768
Total expenditures	436,991	81,951	3,760	522,702
Excess (deficiency) of revenues over (under) expenditures	(64,159)	(81,871)	(3,760)	(149,790)
Other financing sources (uses):				
Transfers in	71,007	82,022	3,729	156,758
Transfers out	-	(4)	(3)	(7)
Issuance of bonds:				
Face value of refunding debt issued	414,205	-	-	414,205
Premium on issuance of refunding debt	53,434	-	-	53,434
Payment to refunded bond escrow agent	(463,448)	-	-	(463,448)
Total other financing sources (uses)	75,198	82,018	3,726	160,942
Net changes in fund balances	11,039	147	(34)	11,152
Fund balances at beginning of year	141,107	71,702	41	212,850
Fund balances at end of year	$ 152,146	$ 71,849	$ 7	$ 224,002

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Debt Service Fund
Year Ended June 30, 2022
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 350,356	$ 350,356	$ 349,434	$ (922)
Fines, forfeitures, and penalties	18,406	18,406	20,207	1,801
Interest and investment income	-	880	2,259	1,379
Intergovernmental				
State	800	800	701	(99)
Other	7,660	9,867	5,501	(4,366)
Total revenues	377,222	380,309	378,102	(2,207)
Expenditures:				
Debt service:				
Principal retirement	371,086	343,466	320,268	23,198
Interest and other fiscal charges	6,136	107,049	107,049	-
Bond issuance costs	-	1,270	1,270	-
Payment to refunded bond escrow agent	-	7,768	7,768	-
Total expenditures	377,222	459,553	436,355	23,198
Excess (deficiency) of revenues over (under) expenditures	-	(79,244)	(58,253)	20,991
Other financing sources (uses):				
Transfers in	-	71,007	71,007	-
Issuance of bonds:				
Face value of refunding debt issued	-	414,205	414,205	-
Premium on issuance of refunding debt	-	52,799	52,799	-
Payment to refunded bond escrow agent	-	(463,448)	(463,448)	-
Total other financing sources (uses)	-	74,563	74,563	-
Net changes in fund balance	-	(4,681)	16,310	20,991
Budgetary fund balance, July 1	-	149,135	149,135	-
Budgetary fund balance, June 30	$ -	$ 144,454	$ 165,445	$ 20,991

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2022
(In Thousands)

	City Facilities Improvement Fund	Moscone Convention Center Fund	Recreation and Park Projects Fund
Assets:			
Deposits and investments with City Treasury	$ 460,292	$ -	$ 20,038
Deposits and investments outside City Treasury	78,321	5,716	-
Receivables:			
Federal and state grants and subventions	-	-	4,656
Interest and other	423	3	20
Due from other funds	-	-	-
Total assets	$ 539,036	$ 5,719	$ 24,714
Liabilities:			
Accounts payable	$ 13,309	$ 23	$ 1,663
Accrued payroll	1,110	1	62
Unearned grant and subvention revenues	-	-	3,467
Due to other funds	26	4,432	-
Unearned revenues and other liabilities	612	-	-
Bonds, loans, leases, and other payables	9,614	-	-
Total liabilities	24,671	4,456	5,192
Deferred inflows of resources	-	-	2,744
Fund balances:			
Restricted	514,365	1,263	16,778
Total fund balances	514,365	1,263	16,778
Total liabilities, deferred inflows of resources and fund balances	$ 539,036	$ 5,719	$ 24,714

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2022
(In Thousands)

	Street Improvement Fund	Total
Assets:		
Deposits and investments with City Treasury	$ 465	$ 480,795
Deposits and investments outside City Treasury	2,762	86,799
Receivables:		
Federal and state grants and subventions	4,570	9,226
Interest and other	-	446
Due from other funds	7,187	7,187
Total assets	$ 14,984	$ 584,453
Liabilities:		
Accounts payable	$ 1,605	$ 16,600
Accrued payroll	80	1,253
Unearned grant and subvention revenues	-	3,467
Due to other funds	17	4,475
Unearned revenues and other liabilities	5,074	5,686
Bonds, loans, leases, and other payables	-	9,614
Total liabilities	6,776	41,095
Deferred inflows of resources	1,029	3,773
Fund balances:		
Restricted	7,179	539,585
Total fund balances	7,179	539,585
Total liabilities, deferred inflows of resources and fund balances	$ 14,984	$ 584,453

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, 2022
(In Thousands)

	City Facilities Improvement Fund	Moscone Convention Center Fund	Recreation and Park Projects Fund
Revenues:			
Interest and investment income (loss)	$ (9,480)	$ 6	$ (475)
Rents and concessions	-	-	-
Intergovernmental:			
Federal	-	-	795
State	-	-	2,885
Other	-	-	3,507
Other	-	-	1,346
Total revenues	(9,480)	6	8,058
Expenditures:			
Debt service:			
Interest and other fiscal charges	349	-	4
Bond issuance costs	988	-	-
Capital outlay	177,529	311	16,106
Total expenditures	178,866	311	16,110
Deficiency of revenues under expenditures	(188,346)	(305)	(8,052)
Other financing sources (uses):			
Transfers in	1,456	509	2
Transfers out	(71,206)	-	-
Issuance of bonds:			
Face value of bonds issued	345,595	-	-
Premium on issuance of bonds	51,503	-	-
Total other financing sources (uses)	327,348	509	2
Net changes in fund balances	139,002	204	(8,050)
Fund balances at beginning of year	375,363	1,059	24,828
Fund balances at end of year	$ 514,365	$ 1,263	$ 16,778

(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, 2022
(In Thousands)

	Street Improvement Fund	Total
Revenues:		
Interest and investment income (loss)	$ 28	$ (9,921)
Rents and concessions	177	177
Intergovernmental:		
Federal	1,539	2,334
State	1,477	4,362
Other	314	3,821
Other	-	1,346
Total revenues	3,535	2,119
Expenditures:		
Debt service:		
Interest and other fiscal charges	10	363
Bond issuance costs	436	1,424
Capital outlay	14,905	208,851
Total expenditures	15,351	210,638
Deficiency of revenues under expenditures	(11,816)	(208,519)
Other financing sources (uses):		
Transfers in	11,539	13,506
Transfers out	(141,893)	(213,099)
Issuance of bonds:		
Face value of bonds issued	122,785	468,380
Premium on issuance of bonds	19,474	70,977
Total other financing sources (uses)	11,905	339,764
Net changes in fund balances	89	131,245
Fund balances at beginning of year	7,090	408,340
Fund balances at end of year	$ 7,179	$ 539,585

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. The City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City.

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 the City, the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Position
Internal Service Funds
June 30, 2022
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 4,006	$ -	$ 1,863	$ 40,444	$ 46,313
Receivables:					
Charges for services	146	-	1	736	883
Interest and other	-	3	-	373	376
Leases	-	13,497	-	376	13,873
Restricted assets:					
Deposits and investments outside City Treasury	-	6,407	-	-	6,407
Total current assets	4,152	19,907	1,864	41,929	67,852
Noncurrent assets:					
Receivables: Leases	-	83,804	-	7,173	90,977
Net pension asset	6,573	-	-	19,576	26,149
Capital assets:					
Land and other assets not being depreciated/amortized	74	-	-	239	313
Facilities and equipment, net of depreciation/amortization	214	-	1,088	21,429	22,731
Total capital assets	288	-	1,088	21,668	23,044
Total noncurrent assets	6,861	83,804	1,088	48,417	140,170
Total assets	11,013	103,711	2,952	90,346	208,022
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	694	-	-	694
Pensions	3,906	-	-	11,611	15,517
OPEB	2,734	-	-	5,742	8,476
Total deferred outflows of resources	6,640	694	-	17,353	24,687
Liabilities:					
Current liabilities:					
Accounts payable	1,349	101	244	4,796	6,490
Accrued payroll	741	-	145	2,288	3,174
Accrued vacation and sick leave pay	511	-	-	1,941	2,452
Accrued workers' compensation	-	-	-	278	278
Bonds, loans, leases, and other payables	-	13,255	135	2,665	16,055
Accrued interest payable	-	733	1	46	780
Due to other funds	31	-	-	-	31
Unearned revenues and other liabilities	-	2,497	3	34	2,534
Total current liabilities	2,632	16,586	528	12,048	31,794
Noncurrent liabilities:					
Accrued vacation and sick leave pay	492	-	-	2,388	2,880
Accrued workers' compensation	-	-	-	1,147	1,147
Bonds, loans, leases, and other payables	-	87,580	295	7,474	95,349
Net other postemployment benefits (OPEB) liability	16,658	-	-	26,869	43,527
Total noncurrent liabilities	17,150	87,580	295	37,878	142,903
Total liabilities	19,782	104,166	823	49,926	174,697
Deferred inflows of resources:					
Unamortized gain on refunding of debt	-	239	-	-	239
Pensions	15,470	-	-	46,254	61,724
OPEB	3,258	-	-	5,420	8,678
Leases	-	-	-	7,534	7,534
Total deferred inflows of resources	18,728	239	-	59,208	78,175
Net position:					
Net investment in capital assets	288	-	658	11,529	12,475
Unrestricted (deficit)	(21,145)	-	1,471	(12,964)	(32,638)
Total net position	$ (20,857)	$ -	$ 2,129	$ (1,435)	$ (20,163)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2022
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 35,680	$ -	$ 9,295	$ 125,023	$ 169,998
Rents and concessions	-	-	-	464	464
Total operating revenues	35,680	-	9,295	125,487	170,462
Operating expenses:					
Personal services	9,988	-	2,815	26,401	39,204
Contractual services	4,967	-	5,705	55,542	66,214
Materials and supplies	13,219	-	113	3,686	17,018
Depreciation and amortization	63	-	264	5,949	6,276
General and administrative	106	-	-	181	287
Services provided by other departments	1,155	-	651	11,016	12,822
Other	-	-	-	825	825
Total operating expenses	29,498	-	9,548	103,600	142,646
Operating income (loss)	6,182	-	(253)	21,887	27,816
Nonoperating revenues (expenses):					
Operating grants: State / other	11	-	-	757	768
Interest and investment income	-	1,399	-	128	1,527
Interest expense	(118)	(2,029)	(57)	(1,114)	(3,318)
Other, net	-	630	2	35	667
Total nonoperating revenues (expenses)	(107)	-	(55)	(194)	(356)
Income (loss) before transfers	6,075	-	(308)	21,693	27,460
Transfers in	118	-	55	1,499	1,672
Change in net position	6,193	-	(253)	23,192	29,132
Net position (deficit) at beginning of year	(27,050)	-	2,382	(24,627)	(49,295)
Net position (deficit) at end of year	$ (20,857)	$ -	$ 2,129	$ (1,435)	$ (20,163)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2022
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 35,657	$ 15,766	$ 9,311	$ 124,889	$ 185,623
Cash paid for employees' services	(16,059)	-	(2,794)	(42,502)	(61,355)
Cash paid to suppliers for goods and services	(19,562)	(754)	(6,330)	(75,077)	(101,723)
Net cash provided by operating activities	36	15,012	187	7,310	22,545
Cash flows from noncapital financing activities:					
Operating grants	11	-	-	757	768
Transfers in	118	-	55	1,499	1,672
Net cash provided by noncapital financing activities	129	-	55	2,256	2,440
Cash flows from capital and related financing activities:					
Acquisition of capital assets	-	-	-	(2,719)	(2,719)
Retirement of lease obligation	-	(12,790)	(136)	(3,018)	(15,944)
Interest paid on debt	-	(2,088)	(1)	(70)	(2,159)
Net cash used in capital and related financing activities	-	(14,878)	(137)	(5,807)	(20,822)
Cash flows from investing activities:					
Interest and investment income	-	1	-	85	86
Other investing activities	(118)	-	(55)	(999)	(1,172)
Net cash provided by (used in) investing activities	(118)	1	(55)	(914)	(1,086)
Change in cash and cash equivalents	47	135	50	2,845	3,077
Cash and cash equivalents at beginning of year	3,959	6,272	1,813	37,599	49,643
Cash and cash equivalents at end of year	$ 4,006	$ 6,407	$ 1,863	$ 40,444	$ 52,720
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ 6,182	$ -	$ (253)	$ 21,887	$ 27,816
Adjustments for non-cash and other activities:					
Depreciation and amortization	63	-	264	5,949	6,276
Other	-	-	2	35	37
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net	(23)	12,790	13	(621)	12,159
Other assets	-	-	-	2	2
Accounts payable	(145)	-	138	(3,826)	(3,833)
Accrued payroll	55	-	20	143	218
Accrued vacation and sick leave pay	(26)	-	-	41	15
Accrued workers' compensation	-	-	-	(24)	(24)
Due to other funds	31	-	-	-	31
Unearned revenue and other liabilities	-	2,222	3	-	2,225
Related to leases	-	-	-	(15)	(15)
Net pension asset and pension related deferred outflows and inflows of resources	(5,648)	-	-	(12,473)	(18,121)
Net OPEB liability and OPEB related deferred outflows and inflows of resources	(453)	-	-	(3,788)	(4,241)
Total adjustments	(6,146)	15,012	440	(14,577)	(5,271)
Net cash provided by operating activities	$ 36	$ 15,012	$ 187	$ 7,310	$ 22,545
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 4,006	$ -	$ 1,863	$ 40,444	$ 46,313
Deposits and investments outside City Treasury:					
Restricted	-	6,407	-	-	6,407
Total deposits and investments	4,006	6,407	1,863	40,444	52,720
Cash and cash equivalents at end of year on statement of cash flows	$ 4,006	$ 6,407	$ 1,863	$ 40,444	$ 52,720

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Pension and Other Employee Benefit Trust Funds are used to record assets from employee and employer contributions and investment earnings which are held for employee benefits.

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/domestic partners, 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.

Custodial Funds are used to report fiduciary activities that are not reported in Pension and Other Employee Benefit Trust Funds, or Private-Purpose Trust Funds.

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.

Community Facilities Districts Fund – Accounts for the activities of various Community Facilities Districts and Special Tax Districts which have been established for the purpose of financing facilities and services.

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.

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.

Successor Agency Custodial Fund – Accounts for the custodial funds of the Successor Agency.

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.

Other Custodial 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, 2022
(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..........	$ 15,352	$ 119,173	$ 6,828	$ 141,353
Deposits and investments outside City Treasury:				
Cash and deposits..	131,252	-	-	131,252
Short-term investments...	369,099	-	3,526	372,625
Debt securities...	1,722,596	-	203,697	1,926,293
Equity securities...	9,579,651	-	436,285	10,015,936
Real assets..	5,113,451	-	39,477	5,152,928
Private equity and other alternative investments....	16,020,685	-	66,151	16,086,836
Foreign currency contracts, net............................	(197)	-	-	(197)
Invested securities lending collateral.......................	541,413	-	-	541,413
Receivables:				
Employer and employee contributions..................	21,690	26,082	6,019	53,791
Brokers, general partners and others....................	34,026	-	-	34,026
Federal and state grants and subventions............	-	-	-	-
Charges for services...	-	-	-	-
Taxes..	-	-	-	-
Interest and other..	12,296	137	737	13,170
Other assets..	-	3,876	-	3,876
Total assets...	33,561,314	149,268	762,720	34,473,302
Deferred outflows related to OPEB...........................	2,092	-	-	2,092
Liabilities:				
Accounts payable..	52,469	6,143	112	58,724
Estimated claims payable...	-	32,604	-	32,604
Payable to brokers..	37,250	-	1,323	38,573
Payable to borrowers of securities...........................	541,557	-	-	541,557
Other liabilities..	120,000	3,805	-	123,805
Net other postemployment benefits (OPEB) liability	11,437	-	-	11,437
Total liabilities..	762,713	42,552	1,435	806,700
Deferred inflows related to OPEB..............................	2,169	-	-	2,169
Net position restricted for:				
Pensions...	32,798,524	-	-	32,798,524
Postemployment healthcare benefits......................	-	-	761,285	761,285
Individuals, organizations, and other governments..	-	106,716	-	106,716
Restricted for pension and other employee benefits..	$ 32,798,524	$ 106,716	$ 761,285	$ 33,666,525

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, 2022
(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:				
Employee contributions..	$ 423,471	$ 177,244	$ 68,286	$ 669,001
Employer contributions...	768,463	860,994	267,230	1,896,687
Total contributions..	1,191,934	1,038,238	335,516	2,565,688
Investment income (expenses):				
Interest...	43,365	878	11,237	55,480
Dividends..	106,986	-	-	106,986
Net depreciation in fair value of investments...................	(2,380,535)	(3,614)	(100,768)	(2,484,917)
Securities lending income..	4,819	-	-	4,819
Total investment loss...	(2,225,365)	(2,736)	(89,531)	(2,317,632)
Less investment expenses:				
Other Investment expenses..	(82,955)	-	(370)	(83,325)
Net investment loss..	(2,308,320)	(2,736)	(89,901)	(2,400,957)
Total additions, net...	(1,116,386)	1,035,502	245,615	164,731
Deductions:				
Benefit payments………...	1,710,092	1,054,688	231,249	2,996,029
Refunds of contributions..	27,658	-	-	27,658
Administrative expenses..	21,174	-	189	21,363
Total deductions...	1,758,924	1,054,688	231,438	3,045,050
Change in net position..	(2,875,310)	(19,186)	14,177	(2,880,319)
Net position at beginning of year...	35,673,834	125,902	747,108	36,546,844
Net position at end of year...	$ 32,798,524	$ 106,716	$ 761,285	$ 33,666,525

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Position
Fiduciary Funds
Custodial Funds
June 30, 2022
(In Thousands)

	Assistance Program Fund	Community Facilities Districts Fund	Deposits Fund	State Revenue Collection Fund
Assets:				
Deposits and investments with City Treasury	$ 18,215	$ -	$ 25,704	$ 787
Deposits and investments outside City Treasury:				
Cash and deposits	-	134,194	250	-
Receivables:				
Taxes	-	-	-	-
Interest and other	17	157	27	1
Restricted assets:				
Deposits and investments outside City Treasury	-	-	-	-
Total assets	18,232	134,351	25,981	788
Liabilities:				
Accounts payable	3	233	165	14
Custodial obligations to State of California	-	-	-	774
Taxes payable to other governments	-	-	-	-
Total liabilities	3	233	165	788
Net position restricted for:				
Individuals, organizations, and other governments	$ 18,229	$ 134,118	$ 25,816	$ -

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Position
Fiduciary Funds
Custodial Funds (Continued)
June 30, 2022
(In Thousands)

	Successor Agency Custodial Fund	Tax Collection Fund	Other	Total
Assets:				
Deposits and investments with City Treasury	$ 38,350	$ 225,125	$ 54,436	$ 362,617
Deposits and investments outside City Treasury:				
Cash and deposits	-	64	-	134,508
Receivables:				
Taxes	-	154,957	-	154,957
Interest and other	34	7	9,321	9,564
Restricted assets:				
Deposits and investments outside City Treasury	28,055	-	-	28,055
Total assets	66,439	380,153	63,757	689,701
Liabilities:				
Accounts payable	80	2	1,503	2,000
Custodial obligations to State of California	-	-	-	774
Taxes payable to other governments	-	380,151	3,859	384,010
Total liabilities	80	380,153	5,362	386,784
Net position restricted for:				
Individuals, organizations, and other governments	$ 66,359	$ -	$ 58,395	$ 302,917

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Custodial Funds
Year Ended June 30, 2022
(In Thousands)

	Assistance Program Fund	Community Facilities Districts Fund	Deposits Fund	State Revenue Collection Fund
Additions:				
Property taxes	$ -	$ 32,051	$ -	$ -
Investment income:				
Interest and investment income (loss)	(450)	324	(209)	(20)
Custodial additions	1,092	171,005	29,145	3,080
Total additions, net	642	203,380	28,936	3,060
Deductions:				
Property taxes distributed to other governments	-	-	-	-
Custodial distributions to State	-	-	-	3,060
Other custodial deductions	1,202	199,955	32,079	-
Total deductions	1,202	199,955	32,079	3,060
Change in net position	(560)	3,425	(3,143)	-
Net position at beginning of year	18,789	130,693	28,959	-
Net position at end of year	$ 18,229	$ 134,118	$ 25,816	$ -

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Custodial Funds (Continued)
Year Ended June 30, 2022
(In Thousands)

	Successor Agency Custodial Fund	Tax Collection Fund	Other	Total
Additions:				
Property taxes	$ 17,874	$ 4,689,281	$ 191,166	$ 4,930,372
Investment income:				
Interest and investment income (loss)	(957)	(3,698)	(142)	(5,152)
Custodial additions	2,879	-	82,015	289,216
Total additions, net	19,796	4,685,583	273,039	5,214,436
Deductions:				
Property taxes distributed to other governments	-	4,685,583	191,026	4,876,609
Custodial distributions to State	-	-	-	3,060
Other custodial deductions	21,007	-	72,623	326,866
Total deductions	21,007	4,685,583	263,649	5,206,535
Change in net position	(1,211)	-	9,390	7,901
Net position at beginning of year	67,570	-	49,005	295,016
Net position at end of year	$ 66,359	$ -	$ 58,395	$ 302,917

STATISTICAL SECTION

CITY AND COUNTY OF SAN FRANCISCO

Statistical Section

This section of the City's annual comprehensive 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 annual comprehensive financial reports for the relevant year.

CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2013 (1)	2014	2015 (2)	2016	2017	2018 (4)	2019	2020	2021 (5)	2022 (6)
Governmental activities										
Net investment in capital assets	$ 2,275,963	$ 2,483,086	$ 2,684,808	$ 2,750,782	$ 2,873,927	$ 3,311,218	$ 3,681,341	$ 3,853,271	$ 3,927,209	$ 4,183,166
Restricted for:										
Reserve for rainy day	26,339	83,194	114,969	120,106	125,689	143,977	324,977	229,069	114,539	114,359
Debt service	98,754	91,900	87,772	83,029	108,179	136,132	104,720	113,765	136,571	152,808
Capital projects	154,502	110,608	28,263	198,962	257,634	196,598	186,015	297,975	256,804	299,063
Community development	109,423	200,640	297,094	433,398	434,691	427,684	624,127	628,484	1,267,587	1,255,903
Transportation Authority activities	10,924	12,496	13,486	15,657	16,189	17,499	21,554	28,673	42,420	56,868
Building inspection programs	71,131	97,928	109,512	134,663	150,109	155,448	166,510	162,182	130,927	101,447
Children and families	56,170	59,572	100,892	105,177	115,284	134,548	181,248	187,538	511,810	621,973
Culture, recreation, grants and other purposes	158,973	206,368	209,399	240,524	265,444	319,595	415,236	470,912	505,112	582,898
Unrestricted (deficit)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)	(2,560,735)	(2,950,722)	(2,804,237)	(2,838,247)	(3,133,782)	(2,037,466)
Total governmental activities net position	$ 1,820,159	$ 2,341,631	$ 1,287,214	$ 2,009,063	$ 1,786,411	$ 1,891,977	$ 2,901,491	$ 3,133,622	$ 3,759,197	$ 5,331,019
Business-type activities										
Net investment in capital assets	$ 4,691,579	$ 4,832,659	$ 5,117,679	$ 5,690,741	$ 5,752,069	$ 6,176,022	$ 6,764,333	$ 7,013,098	$ 7,003,396	$ 6,763,452
Restricted for:										
Debt service	58,970	64,143	100,923	127,073	202,262	294,499	331,118	316,671	242,381	158,479
Capital projects	299,942	363,601	358,745	340,896	394,634	515,072	556,980	523,169	510,813	651,052
Other purposes	13,046	24,721	35,986	70,505	93,696	294,122	165,675	116,861	301,944	358,526
Unrestricted	610,565	732,736	(335,083)	(231,379)	(670,759)	(1,492,713)	(1,117,385)	(1,004,826)	(1,162,508)	(435,349)
Total business-type activities net position	$ 5,674,102	$ 6,017,860	$ 5,278,250	$ 5,997,836	$ 5,771,902	$ 5,787,002	$ 6,700,721	$ 6,964,973	$ 6,896,026	$ 7,496,160
Primary government										
Net investment in capital assets (3)	$ 6,692,499	$ 7,032,674	$ 7,520,698	$ 8,151,422	$ 8,321,778	$ 9,157,665	$ 10,048,870	$ 10,474,620	$ 10,561,206	$ 10,561,965
Restricted for:										
Reserve for rainy day	26,339	83,194	114,969	120,106	125,689	143,977	324,977	229,069	114,539	114,359
Debt service	157,724	156,043	188,695	210,102	310,441	430,631	435,838	430,436	378,952	311,287
Capital projects (3)	356,002	418,103	330,213	423,132	569,948	569,115	692,052	793,888	646,400	771,576
Community development	109,423	200,640	297,094	433,398	434,691	427,684	624,127	628,484	1,267,587	1,255,903
Transportation Authority activities	10,924	12,496	13,486	15,657	16,189	17,499	21,554	28,673	42,420	56,868
Building inspection programs	71,131	97,928	109,512	134,663	150,109	155,448	166,510	162,182	130,927	101,447
Children and families	56,170	59,572	100,892	105,177	115,284	134,548	181,248	187,538	511,810	621,973
Culture, recreation, grants and other purposes	172,019	231,089	245,385	311,029	359,140	613,717	580,911	587,773	807,056	941,424
Unrestricted (deficit) (3)	(157,970)	67,752	(2,355,480)	(1,897,787)	(2,844,956)	(3,971,305)	(3,473,875)	(3,424,068)	(3,805,674)	(1,909,623)
Total primary government activities net position	$ 7,494,261	$ 8,359,491	$ 6,565,464	$ 8,006,899	$ 7,558,313	$ 7,678,979	$ 9,602,212	$ 10,098,595	$ 10,655,223	$ 12,827,179

Notes:

(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2019. See Note 10(d) in the Notes to Basic Financial Statements for details.

(4) In fiscal year 2018, the City adopted the provisions of GASB Statement No. 75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

(5) In fiscal year 2021, the City adopted the provisions of GASB Statement No. 84. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2020.

(6) In fiscal year 2022, the City adopted the provisions of GASB Statement No. 87. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2021.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2013	2014	2015 [(2)]	2016	2017	2018 [(3)]	2019	2020	2021 [(4)]	2022 [(5)]
Expenses										
Governmental activities:										
Public protection	$ 1,236,922	$ 1,229,591	$ 1,108,200	$ 1,222,549	$ 1,692,224	$ 1,496,749	$ 1,496,341	$ 1,661,262	$ 1,744,103	$ 1,252,725
Public works, transportation and commerce	189,124	200,712	270,454	418,978	387,423	321,577	331,717	362,133	530,087	336,059
Human welfare and neighborhood development	946,562	1,009,190	1,073,652	1,233,403	1,543,047	1,552,060	1,720,425	2,137,968	2,384,993	2,332,530
Community health	751,491	786,761	735,040	747,071	868,628	914,512	960,422	1,148,208	1,241,282	1,151,847
Culture and recreation	338,042	357,620	355,676	311,028	539,516	425,668	594,219	519,015	467,251	398,314
General administration and finance	249,271	298,563	249,823	246,383	337,209	430,711	330,358	416,370	475,428	335,772
Distributions to other governments	-	-	-	-	-	-	-	-	-	47,296
General City responsibilities	83,895	85,239	94,577	113,490	145,247	118,956	156,907	119,693	100,077	129,138
Unallocated interest on long-term debt and cost of issuance [(1)]	107,790	115,880	115,030	115,357	113,264	138,048	153,220	145,600	144,334	155,467
Total governmental activities expenses	3,903,097	4,083,556	4,002,452	4,408,259	5,626,558	5,398,281	5,743,609	6,510,249	7,087,555	6,139,148
Business-type activities:										
Airport	756,961	827,658	853,338	900,621	1,122,802	1,092,154	1,067,265	1,344,734	1,294,064	1,175,430
Transportation	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586	1,304,254	1,304,358	1,438,417	1,327,418	1,076,249
Port	81,422	88,551	88,436	91,449	118,361	102,667	123,116	131,884	142,126	110,108
Water	445,804	470,200	438,885	470,254	572,509	536,068	536,480	576,140	627,875	606,409
Power	129,790	137,639	149,438	153,472	198,621	202,366	314,471	392,669	411,605	477,202
Hospitals	992,687	1,011,452	996,395	1,050,618	1,370,154	1,294,045	1,236,823	1,332,648	1,376,112	1,300,196
Sewer	223,727	243,466	239,556	244,289	273,077	264,298	304,010	296,842	318,976	326,952
Market	1,231	120	-	-	-	-	-	-	-	-
Total business-type activities expenses	3,658,348	3,816,454	3,784,299	4,017,123	5,124,110	4,795,852	4,886,523	5,513,334	5,498,176	5,072,546
Total primary government expenses	$ 7,561,445	$ 7,900,010	$ 7,786,751	$ 8,425,382	$ 10,750,668	$ 10,194,133	$ 10,630,132	$ 12,023,583	$ 12,585,731	$ 11,211,694
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 60,190	$ 69,673	$ 70,444	$ 86,164	$ 83,896	$ 87,614	$ 121,848	$ 105,508	$ 85,593	$ 101,317
Public works, transportation and commerce	105,981	135,842	128,661	130,410	148,804	157,416	164,578	138,328	136,455	102,094
Human welfare and neighborhood development	69,997	99,848	96,012	273,986	164,755	82,925	134,839	212,743	207,974	237,611
Community health	60,856	67,680	93,130	90,078	68,601	104,335	101,678	107,078	120,141	87,248
Culture and recreation	93,612	89,969	98,302	98,205	97,614	125,776	136,928	127,196	42,676	92,549
General administration and finance	76,903	66,071	89,403	52,417	45,385	73,235	99,278	97,130	80,780	108,893
General City responsibilities	50,121	39,445	37,031	45,922	37,367	54,136	56,027	66,885	57,943	55,587
Operating grants and contributions	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262	1,279,900	1,392,516	1,518,051	1,925,539	2,185,343
Capital grants and contributions	29,718	39,379	48,233	24,795	19,493	63,181	233,184	146,400	130,937	105,459
Total governmental activities program revenues	1,633,532	1,750,001	1,826,556	2,091,879	1,929,177	2,028,518	2,440,876	2,519,319	2,788,038	3,076,101
Business-type activities:										
Charges for services:										
Airport	726,358	770,691	815,364	866,991	926,800	1,063,802	980,443	943,879	515,416	821,253
Transportation	494,805	521,628	499,584	495,296	500,030	511,984	505,159	390,285	207,288	315,543
Port	80,202	85,019	95,296	99,733	113,353	109,769	122,033	108,863	94,330	120,951
Water	721,470	379,882	426,047	419,516	460,331	525,639	542,391	583,351	581,612	573,117
Power	133,927	134,438	147,803	164,736	189,979	191,963	345,386	421,284	391,171	480,447
Hospitals	868,244	951,038	894,718	922,320	873,221	967,936	1,014,124	1,092,622	1,070,390	1,167,993
Sewer	252,554	260,097	256,002	261,775	277,341	315,096	331,081	344,128	327,665	368,882
Market	1,715	141	-	-	-	-	-	-	-	-
Operating grants and contributions	224,382	190,351	191,101	199,623	270,167	217,506	251,757	455,673	710,059	545,636
Capital grants and contributions	251,753	515,445	357,819	374,924	353,046	456,166	467,069	361,266	231,890	185,816
Total business-type activities program revenues	3,755,410	3,808,730	3,683,734	3,804,914	3,964,268	4,359,861	4,559,443	4,701,351	4,129,821	4,579,638
Total primary government program revenues	$ 5,388,942	$ 5,558,731	$ 5,510,290	$ 5,896,793	$ 5,893,445	$ 6,388,379	$ 7,000,319	$ 7,220,670	$ 6,917,859	$ 7,655,739

Notes:

(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.

(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No. 75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

(4) In fiscal year 2020-21, the City adopted the provisions of GASB Statement No. 84. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2020.

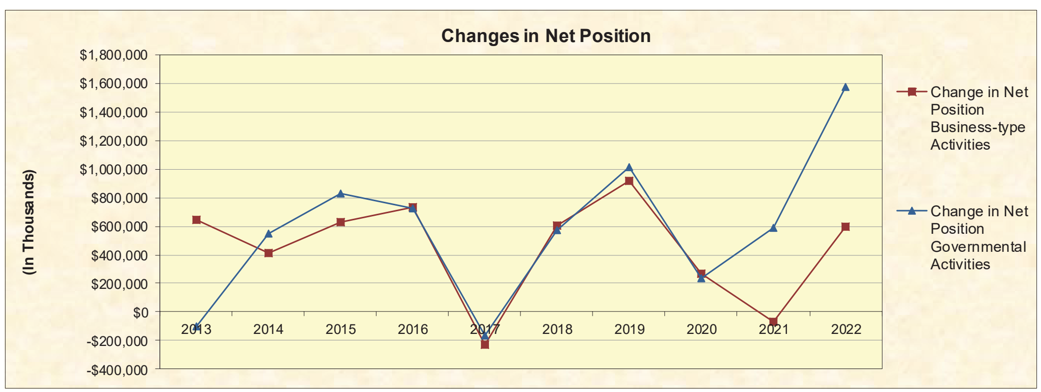
(5) In fiscal year 2021-22, the City adopted the provisions of GASB Statement Nos. 87 and 89. As restatement of all prior periods is not practical, the cumulative effect of applying GASB statement No. 87 is reported as a restatement of beginning net position as of July 1, 2021.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2013	2014	2015 (1)	2016	2017	2018 (2)	2019	2020	2021 (3)	2022 (4)
Net (expenses)/revenue										
Governmental activities	$ (2,269,565)	$ (2,333,555)	$ (2,175,896)	$ (2,316,380)	$ (3,697,381)	$ (3,369,763)	$ (3,302,733)	$ (3,990,930)	$ (4,299,517)	$ (3,063,047)
Business-type activities	97,062	(7,724)	(100,565)	(212,209)	(1,159,842)	(435,991)	(327,080)	(811,983)	(1,368,355)	(492,908)
Total primary government net expenses	$ (2,172,503)	$ (2,341,279)	$ (2,276,461)	$ (2,528,589)	$ (4,857,223)	$ (3,805,754)	$ (3,629,813)	$ (4,802,913)	$ (5,667,872)	$ (3,555,955)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 1,415,068	$ 1,521,471	$ 1,640,383	$ 1,808,917	$ 1,951,696	$ 2,363,863	$ 2,581,308	$ 2,733,334	$ 2,972,067	$ 3,004,800
Business taxes	480,131	563,406	611,932	660,926	702,331	899,142	919,552	833,931	1,894,604	1,326,675
Sales and use tax	208,025	227,636	240,424	270,051	291,395	293,916	329,296	279,453	233,393	293,155
Hotel room tax	238,782	310,052	394,262	387,661	370,344	382,176	408,348	280,970	37,698	174,609
Utility users tax	91,871	86,810	98,979	98,651	101,203	94,460	93,918	94,231	81,367	105,225
Other local taxes	359,808	391,638	451,994	399,882	542,567	424,187	515,435	474,859	453,852	676,304
Interest and investment income (loss)	7,862	21,887	20,737	24,048	35,240	46,020	178,350	142,181	10,688	(160,687)
Other	52,865	70,024	46,906	59,266	182,933	71,834	88,788	63,552	67,838	80,295
Transfers - internal activities of primary government	(483,028)	(311,627)	(504,791)	(671,173)	(647,942)	(753,283)	(802,748)	(679,450)	(861,966)	(866,631)
Special item	-	-	-	-	-	116,690	-	-	-	-
Extraordinary gain (loss)	(201,670)	-	-	-	-	-	-	-	-	-
Total governmental activities	2,169,714	2,881,297	3,000,826	3,038,229	3,529,767	3,939,005	4,312,247	4,223,061	4,889,541	4,633,745
Business-type activities:										
Interest and investment income (loss)	1,009	29,843	25,999	28,566	28,547	39,010	182,666	151,319	(3,066)	(108,628)
Other	61,737	82,737	200,148	240,636	257,419	246,827	237,045	245,466	440,508	327,454
Transfers - internal activities of primary government	483,028	311,627	504,791	671,173	647,942	753,283	802,748	679,450	861,966	866,631
Special item	-	-	-	-	-	-	18,340	-	-	-
Extraordinary gain (loss)	-	(6,843)	-	-	-	-	-	-	-	-
Total business-type activities	545,774	417,364	730,938	940,375	933,908	1,039,120	1,240,799	1,076,235	1,299,408	1,085,457
Total primary government	$ 2,715,488	$ 3,298,661	$ 3,731,764	$ 3,978,604	$ 4,463,675	$ 4,978,125	$ 5,553,046	$ 5,299,296	$ 6,188,949	$ 5,719,202
Change in Net Position										
Governmental activities	$ (99,851)	$ 547,742	$ 824,930	$ 721,849	$ (167,614)	$ 569,242	$ 1,009,514	$ 232,131	$ 590,024	$ 1,570,698
Business-type activities	642,836	409,640	630,373	728,166	(225,934)	603,129	913,719	264,252	(68,947)	592,549
Total primary government	$ 542,985	$ 957,382	$ 1,455,303	$ 1,450,015	$ (393,548)	$ 1,172,371	$ 1,923,233	$ 496,383	$ 521,077	$ 2,163,247



Notes:

(1) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(2) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

(3) In fiscal year 2020-21, the City adopted the provisions of GASB Statement No.84. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2020.

(4) In fiscal year 2021-22, the City adopted the provisions of GASB Statement Nos. 87 and 89. As restatement of all prior periods is not practical, the cumulative effect of applying GASB statement No. 87 is reported as a restatement of beginning net position as of July 1, 2021.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	$ 23,854	$ 24,022	$ 24,786	$ 522	$ 525	$ 1,512	$ 1,259	$ 1,274	$ 2,714	$ 4,134
Restricted	26,339	83,194	114,969	120,106	125,689	143,977	324,977	229,069	114,539	114,539
Committed	137,487	145,126	142,815	187,170	327,607	371,698	397,563	363,410	320,637	320,637
Assigned	353,191	508,903	705,076	879,567	1,088,288	1,291,499	1,361,787	1,581,761	1,562,035	2,012,745
Unassigned	-	74,317	157,550	241,797	328,594	413,255	631,437	510,408	670,179	453,088
Total general fund	$ 540,871	$ 835,562	$ 1,145,196	$ 1,429,162	$ 1,870,703	$ 2,221,941	$ 2,717,023	$ 2,685,922	$ 2,670,104	$ 2,905,143
All other governmental funds										
Nonspendable	$ 274	$ 441	$ 329	$ 82	$ 82	$ 82	$ 140	$ 82	$ 82	$ 124
Restricted	1,191,189	1,115,226	1,110,836	1,443,956	1,701,020	2,232,040	2,309,105	2,229,282	3,384,275	3,615,837
Assigned	30,759	50,733	66,740	66,085	78,413	124,076	114,640	125,319	224,658	259,607
Unassigned	(94,532)	(64,983)	(34,158)	(103,811)	(245,445)	(904)	(331)	(729)	(1,920)	(1,041)
Total other governmental funds	$ 1,127,690	$ 1,101,417	$ 1,143,747	$ 1,406,312	$ 1,534,070	$ 2,355,294	$ 2,423,554	$ 2,353,954	$ 3,607,095	$ 3,874,527

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues:										
Property taxes	$ 1,421,764	$ 1,517,261	$ 1,642,159	$ 1,798,776	$ 1,937,694	$ 2,171,601	$ 2,765,473	$ 2,654,937	$ 2,964,753	$ 2,998,200
Business taxes	480,131	563,406	611,932	660,926	702,331	899,142	919,552	833,931	1,894,604	1,326,675
Sales and use tax	208,025	227,636	240,424	267,443	291,710	296,209	329,296	279,453	233,393	293,155
Hotel room tax	238,782	310,052	394,262	387,661	370,344	382,176	408,348	280,970	37,698	174,609
Utility users tax	91,871	86,810	98,979	98,651	101,203	94,460	93,918	94,231	81,367	105,225
Other local taxes	359,808	391,638	451,994	399,882	542,567	424,187	515,435	474,859	453,829	676,327
Licenses, permits and franchises	40,901	42,371	42,959	43,722	44,397	43,180	43,416	38,472	27,186	46,834
Fines, forfeitures and penalties	49,841	28,425	28,154	36,169	30,798	34,220	48,896	43,830	74,273	44,581
Interest and investment income (loss)	7,489	21,678	20,583	23,931	35,089	45,890	177,832	141,638	10,688	(160,819)
Rent and concessions	98,770	90,712	99,102	135,865	100,544	105,284	155,346	118,865	76,313	131,450
Intergovernmental:										
Federal	420,775	426,314	465,196	416,823	411,369	421,024	442,328	590,697	907,362	1,096,707
State	656,141	721,735	751,574	776,866	823,012	875,402	964,916	990,264	1,105,834	1,207,042
Other	41,789	9,408	15,774	85,872	13,814	16,993	13,630	26,483	26,890	20,081
Charges for services	296,059	333,904	359,044	392,665	378,437	415,569	437,540	398,405	376,113	397,270
Other	81,014	134,923	123,605	264,722	188,311	186,034	246,010	214,359	182,826	186,499
Total revenues	4,493,160	4,906,273	5,345,741	5,789,974	5,971,620	6,411,371	7,561,936	7,181,394	8,453,129	8,543,836
Expenditures:										
Public protection	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577	1,378,754	1,460,186	1,551,125	1,576,456	1,644,421
Public works, transportation and commerce	223,218	232,005	293,999	416,152	332,693	441,868	428,378	488,697	458,154	471,415
Human welfare and neighborhood development	945,106	995,192	1,095,419	1,252,588	1,424,425	1,499,216	1,698,081	2,070,388	2,339,937	2,539,914
Community health	734,736	761,439	753,832	776,612	712,495	815,762	918,330	1,026,915	1,170,730	1,181,711
Culture and recreation	328,794	331,914	352,852	364,909	390,038	424,794	453,554	460,157	417,106	464,643
General administration and finance	211,138	233,977	251,370	277,729	303,113	312,441	346,154	392,629	395,792	377,185
Distributions to other governments	-	-	-	-	-	-	-	-	-	47,296
General City responsibilities	81,775	86,996	98,658	114,684	121,447	110,920	144,808	129,941	113,913	156,870
Debt service:										
Principal retirement	154,542	190,266	200,497	252,456	283,356	381,141	326,416	296,875	356,986	439,550
Interest and fiscal charges	108,189	119,142	121,371	119,723	125,091	136,925	168,839	150,646	154,958	173,656
Bond issuance costs	2,913	2,185	2,734	7,108	2,695	8,934	876	4,455	7,864	3,330
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	8,905	7,167	7,768
Capital outlay	410,994	449,726	412,740	223,904	297,089	337,741	323,979	454,137	275,638	250,764
Total expenditures	4,347,289	4,575,339	4,793,629	5,074,865	5,316,019	5,848,496	6,269,601	7,034,870	7,274,701	7,758,523
Excess of revenues over expenditures	145,871	330,934	552,112	715,109	655,601	562,875	1,292,335	146,524	1,178,428	785,313

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Other financing sources (uses):										
Transfers in	447,734	563,283	556,287	580,737	641,123	625,147	853,553	701,391	963,647	757,902
Transfers out	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)	(1,398,562)	(1,654,966)	(1,380,325)	(1,825,686)	(1,626,205)
Issuance of bonds and loans:										
Face value of bonds issued (1)	557,490	209,955	155,620	472,325	276,570	1,293,595	72,420	393,310	823,665	468,380
Face value of refunding debt issued (1)	-	47,220	293,910	123,600	-	-	-	222,315	161,870	414,205
Face value of loans issued	5,890	8,735	136,763	-	46,000	-	-	-	-	-
Premium on issuance of bonds	64,469	19,773	69,833	32,845	12,432	76,243	-	73,759	93,427	124,411
Payment to refunded bond escrow agent	-	(49,055)	(359,225)	(131,935)	-	-	-	(257,675)	(193,579)	(463,448)
Proceeds from sale of capital assets	-	-	-	-	122,000	-	-	-	-	-
Other financing sources - capital leases	13,470	12,869	7,750	5,650	37,736	2,027	-	-	-	-
Inception of lease	-	-	-	-	-	-	-	-	-	41,913
Total other financing sources (uses)	158,260	(62,516)	(200,148)	(168,578)	(86,302)	598,450	(728,993)	(247,225)	23,344	(282,842)
Extraordinary gain (loss)	(172,651)	-	-	-	-	-	-	-	-	-
Special item	-	-	-	-	-	11,137	-	-	-	-
Net change in fund balances	$ 131,480	$ 268,418	$ 351,964	$ 546,531	$ 569,299	$ 1,172,462	$ 563,342	$ (100,701)	$ 1,201,772	$ 502,471
Debt service as a percentage of noncapital expenditures	6.80%	7.61%	7.55%	7.98%	8.46%	9.75%	8.51%	7.06%	7.42%	8.50%
Debt service as a percentage of total expenditures	6.04%	6.76%	6.71%	7.33%	7.68%	8.86%	7.90%	6.36%	7.04%	7.90%

Notes:
(1) Prior years were reclassified to match financial statement presentation.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(2)(3)

Last Ten Fiscal Years
(In Thousands)

Fiscal Year (3)	Assessed Value (1) Real Property	Personal Property	Total	Exemptions (2) Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments	Total Taxable Assessed Value (3)	Total Direct Tax Rate
2013	$ 171,327,361	$ 3,801,645	$ 175,129,006	$ 7,460,708	$ 660,566	$ 14,032,211	$ 152,975,521	1.00%
2014	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%
2016	197,889,670	4,667,489	202,557,159	8,252,472	654,116	15,798,019	177,852,552	1.00%
2017	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%
2018	240,129,959	5,033,413	245,163,372	11,372,719	638,914	20,790,719	212,361,020	1.00%
2019	268,211,395	5,398,846	273,610,241	15,056,415	627,379	21,989,616	235,936,831	1.00%
2020	289,711,888	7,346,098	297,057,986	17,689,802	617,454	23,132,814	255,617,916	1.00%
2021	311,911,097	6,935,352	318,846,449	18,672,211	605,611	21,679,824	277,888,803	1.00%
2022	321,740,412	6,903,321	328,643,733	20,331,278	599,790	22,430,502	285,282,163	1.00%

Source:
Controller, City and County of San Francisco

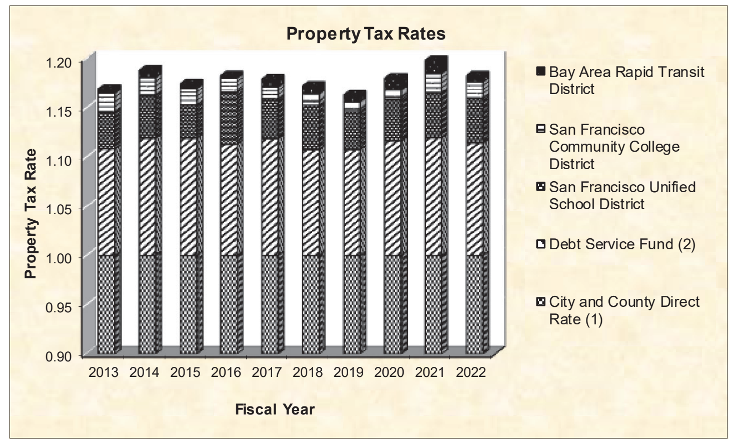
Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
(a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
(b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
(c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
(3) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate Per $100 of Assessed Value)

Fiscal Year	City and County Direct Rate (1)	Overlapping Rates: Debt Service Fund (2)	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743
2016	1.00000000	0.11346583	0.05246647	0.01407283	0.00260000	1.1826
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792
2018	1.00000000	0.10740904	0.04517555	0.01135485	0.00840000	1.1723
2019	1.00000000	0.10748997	0.03869354	0.00982024	0.00700000	1.1630
2020	1.00000000	0.11669015	0.04160439	0.00979486	0.01200000	1.1801
2021	1.00000000	0.11972733	0.04510041	0.01973594	0.01390000	1.1985
2022	1.00000000	0.11463663	0.04503343	0.01681493	0.00600000	1.1825



Notes:
(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago
(Dollar in Thousands)

		Fiscal Year 2022			Fiscal Year 2013		
Assessee	Type of Business	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
Transbay Towers LLC	Office, Commercial	$ 1,801,550	1	0.58%	$ -		-
Sutter Bay Hospitals	Office, Commercial	1,754,942	2	0.56%	-		-
GSW Arena LLC	Entertainment Complex	1,283,030	3	0.41%	-		-
HWA 555 Owners LLC	Office, Commercial	1,070,540	4	0.34%	922,558	1	0.56%
Elm Property Venture LLC	Office, Commercial	1,035,262	5	0.33%	-		-
Park Tower Owner LLC	Office, Commercial	1,012,004	6	0.32%	-		-
PPF Paramount One Market Plaza Owner LP	Office, Commercial	877,381	7	0.28%	755,777	2	0.46%
KRE Exchange Owner LLC	Office, Commercial	801,577	8	0.26%	-		-
SHR St. Francis LLC	Office, Commercial	755,347	9	0.24%	367,002	8	0.22%
SFDC 50 Fremont LLC	Office, Commercial	724,799	10	0.23%	-		-
Emporium Mall LLC	Retail, Commercial	-		-	422,217	3	0.25%
HD333 LLC	Office, Commercial	-		-	394,666	4	0.24%
SHC Embarcadero LLC	Office, Commercial	-		-	389,419	5	0.24%
Post-Montgomery Associates	Office, Commercial	-		-	379,674	6	0.23%
SF Hilton Inc	Hotel	-		-	376,676	7	0.23%
PPF Off One Maritime Plaza LP	Office, Commercial	-		-	360,181	9	0.22%
One Embarcadero Center Venture	Office, Commercial	-		-	337,278	10	0.20%
Total		$ 11,116,432		3.55%	$ 4,705,448		2.85%

Source: Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2021-2022 updated as of August 1, 2021.

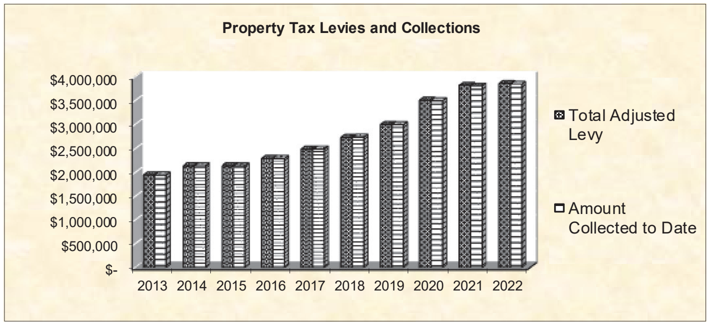
(2) Assessed values for fiscal years 2021-2022 and 2012-2013 are from the tax rolls of calendar year 2021 and 2012, respectively.

CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS (1) (2)

Last Ten Fiscal Years
(In Thousands)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Adjusted Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years (3)	Amount	Percentage of Adjusted Levy
2013	$1,952,525	$ 1,919,060	98.29%	$ 31,580	$ 1,950,640	99.90%
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82
2016	2,290,280	2,268,876	99.07	19,156	2,288,032	99.90
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03
2018	2,732,615	2,709,048	99.14	29,002	2,738,050	100.20
2019	2,999,794	2,977,664	99.26	17,194	2,994,858	99.84
2020	3,509,022	3,475,682	99.05	21,020	3,496,702	99.65
2021	3,823,246	3,785,038	99.00	21,447	3,806,485	99.56
2022	3,864,100	3,832,546	99.18	13,646	3,846,192	99.54



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, and the Successor Agency to the San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

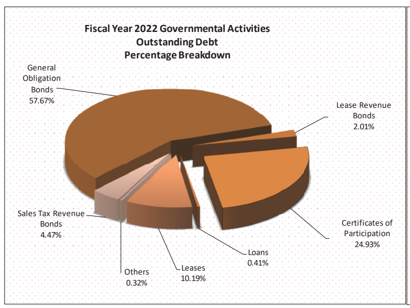
(In Thousands, except per capita amount)

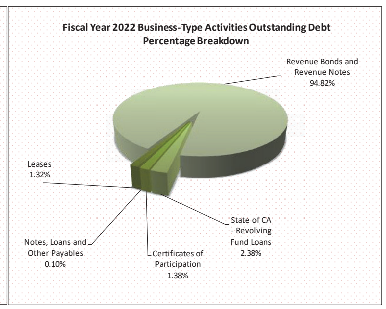
Governmental Activities

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Leases	Others	Sales Tax Revenue Bonds	Subtotal
2013	$ 2,052,155	$ 264,828	$ 574,683	$ 19,184	$ -	$ 9,741	$ -	$ 2,920,591
2014	2,105,885	243,503	544,817	27,441	-	3,085	-	2,924,731
2015	2,096,765	216,527	507,504	163,837	-	-	-	2,984,633
2016	2,227,515	197,217	623,956	143,059	-	-	-	3,191,747
2017	2,281,894	182,783	582,759	162,876	-	32,586	-	3,242,898
2018	2,693,252	171,667	987,014	47,462	-	30,654	268,917	4,198,966
2019	2,488,987	133,592	944,447	22,365	-	27,102	267,701	3,884,194
2020	2,351,707	127,138	1,191,336	21,385	-	23,490	253,566	3,968,622
2021	2,754,452	114,309	1,289,507	20,914	-	19,820	239,040	4,438,042
2022	2,893,380	100,835	1,250,691	20,418	511,317	16,089	224,114	5,016,844

Business-Type Activities

Fiscal Year	Revenue Bonds and Revenue Notes	State of CA - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Leases	Others	Subtotal	Total Primary Government	Percentage of Personal Income (1) (2)	Per Capita (1) (3)
2013	$ 9,342,222	$ -	$ 339,007	$ 7,370	$ -	$ 3,606	$ 9,692,205	$ 12,612,796	17.31%	$ 14,995
2014	9,668,418	-	365,867	7,596	-	2,512	10,044,393	12,969,124	16.79	15,214
2015	10,040,660	-	355,113	7,840	-	1,174	10,404,787	13,389,420	14.95	15,533
2016	10,078,794	-	343,270	8,180	-	266	10,430,510	13,622,257	14.17	15,549
2017	11,185,043	-	330,924	9,241	-	-	11,525,208	14,768,106	13.93	16,798
2018	13,194,466	22,607	318,019	14,196	-	-	13,549,288	17,748,254	15.37	20,153
2019	14,935,423	88,032	304,547	18,763	-	-	15,346,765	19,230,959	16.35	21,815
2020	15,613,982	161,820	274,068	19,692	-	-	16,069,562	20,038,184	15.97	23,032
2021	15,995,962	215,966	260,138	19,001	-	-	16,491,067	20,929,109	15.38	25,674
2022	16,935,628	424,420	245,609	17,933	235,905	-	17,859,495	22,876,339	16.68	28,434





Notes:

(1) See Demographic and Economic Statistics, for personal income and population data.

(2) 2019 and 2020 were updated from last year's ACFR with newly available data.

(3) 2021 was updated from last year's ACFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Restricted for Debt Service	Total	Per Capita (2) (3)	Percentage of Taxable Assessed Value (4)
2013	$ 2,052,155	$ 102,188	$ 1,949,967	$ 2,318	1.16%
2014	2,105,885	95,451	2,010,434	2,358	1.14%
2015	2,096,765	91,292	2,005,473	2,327	1.10%
2016	2,227,515	86,754	2,140,761	2,444	1.10%
2017	2,281,894	111,892	2,170,002	2,468	1.02%
2018	2,693,252	127,766	2,565,486	2,913	1.10%
2019	2,488,987	104,149	2,384,838	2,705	0.92%
2020	2,351,707	118,506	2,233,201	2,567	0.80%
2021	2,754,452	141,107	2,613,345	3,206	0.87%
2022	2,893,380	152,146	2,741,234	3,407	0.89%

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance w ith GASB Statement No. 65, the amount for general obligation bonds w as restricted to exclude bond refunding gains or losses.

(2) Population data can be found in Demographic and Economic Statistics.

(3) Fiscal year 2021 w as updated from last year's ACFR w ith new ly available data.

(4) Taxable property data can be found in Assessed Value of Taxable Property. Assessed value used is Total Assessed Value less Non-reimbursable Exemptions to calculate %.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year 2013	2014	2015	2016	2017
Debt limit	$ 5,030,049	$ 5,279,242	$ 5,482,482	$ 5,829,141	$ 6,368,988
Total net debt applicable to limit (1)	2,052,155	2,105,885	2,096,765	2,227,514	2,281,894
Legal debt margin	$ 2,977,894	$ 3,173,357	$ 3,385,717	$ 3,601,627	$ 4,087,094
Total net debt applicable to the limit as a percentage of debt limit	40.80%	39.89%	38.24%	38.21%	35.83%

	Fiscal Year 2018	2019	2020	2021	2022
Debt limit	$ 7,013,720	$ 7,756,615	$ 8,381,046	$ 9,005,227	$ 9,249,374
Total net debt applicable to limit (1)	2,693,252	2,488,987	2,351,707	2,754,452	2,893,380
Legal debt margin	$ 4,320,468	$ 5,267,628	$ 6,029,339	$ 6,250,775	$ 6,355,994
Total net debt applicable to the limit as a percentage of debt limit	38.40%	32.09%	28.06%	30.59%	31.28%

Legal Debt Margin Calculation for Fiscal Year 2022

Total assessed value	$ 328,643,733
Less: non-reimbursable exemptions (2)	20,331,278
Assessed value (2)	$ 308,312,455
Debt limit (three percent of valuation subject to taxation)(3)	$ 9,249,374
Debt applicable to limit - general obligation bonds	2,893,380
Legal debt margin	$ 6,355,994

Notes:

(1) Per outstanding general obligation bonds adjusted with bond premium and discount.

(2) Source: Assessor, City and County of San Francisco

(3) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

(In Thousands)

2021-22 Assessed Valuation: $ 312,594,684 (includes unitary utility valuation)

	Debt 6/30/22
General Obligation Bonded Debt:	
San Francisco City and County	$ 2,625,533
San Francisco Unified School District Bonds	1,118,600
San Francisco Community College District	436,085
Total General Obligation Bonded Debt	$ 4,180,218
Lease Obligation Bonds:	
San Francisco City and County (1)	$ 1,482,949
Total Lease Obligation Bonded Debt	$ 1,482,949
Total Combined Direct Debt	$ 5,663,167
Overlapping Tax and Assessment Debt:	
Bay Area Rapid Transit District General Obligation Bonds (34.740%)	$ 875,993
San Francisco Community Facilities District No. 4	70
San Francisco Community Facilities District No. 6	115,847
San Francisco Community Facilities District No. 7	31,315
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,467
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	502,625
San Francisco Community Facilities District No. 2016-1 Treasure Island I.A. 1 and 2	83,405
San Francisco Community Facilities District No. 2020-1 Mission Rock	106,230
City of San Francisco Assessment District No. 95-1	310
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	8,870
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,820
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,765
Total Overlapping Tax and Assessment Debt	$ 1,734,717
Overlapping Tax Increment Debt (Successor Agency):	
Successor Agency to the San Francisco Redevelopment Agency	$ 806,045
Transbay Joint Powers Authority	249,175
Total Overlapping Increment Debt	$ 1,055,220
Total Direct and Overlapping Bonded Debt (2)	$ 8,453,104

(1) Excludes 833 Bryant lease and privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of $7,345 as of 6/30/22 (also Sales Tax Revenue bonds and Harbor Loan).

(2) Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds.

Ratios to 2021-22 Assessed Valuation ($312,594,684):	
Direct General Obligation Bonded Debt ($4,180,218)	1.34%
Combined Direct Debt ($5,663,167)	1.81%
Total Direct and Overlapping Bonded Debt	2.70%
Ratio to 2021-22 Redevelopment Incremental Valuation ($39,850,419):	
Total Overlapping Tax Increment Debt	2.65%

Source: California Municipal Statistics, Inc

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
2013	$ 728,044	$ 380,543	$ 347,501	$ 152,355	$ 185,000	$ 337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97
2018	1,075,118	505,018	570,100	201,295 (4)	204,046 (4)	405,341	1.41
2019	1,072,368	495,222	577,146	214,710 (4)	221,749 (4)	436,459	1.32
2020	1,031,129	618,954	412,175	210,595	268,573	479,168	0.86
2021	540,309 (4)	583,250	(42,941)	5,600	284,661	290,261	-0.15
2022	843,926	453,181	390,745	5,860	282,749	288,609	1.35

(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.
(4) Principal and interest payments were updated in FY2018 through FY2019. Operating Revenue was updated FY2021.

San Francisco Water Department (5)

Fiscal Year	Gross Revenues (6)	Less: Operating Expenses (7)	Adjustments(9)	Net Available Revenue	Debt Service Principal	Debt Service Interest (8)	Debt Service Total	Coverage
2013	$ 721,189	$ 303,739	$ 157,518	$ 574,968	$ 45,965	$ 93,569	$ 139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462	192,312	2.31
2016	423,111	314,786	283,568	391,893	29,695	189,500	219,195	1.79
2017	464,662	421,827	351,605	394,440	41,310	166,502	207,812	1.90
2018	532,087	370,147	337,643	499,583	48,875	185,084	233,959	2.14
2019	558,041	357,094	332,034	532,981	76,665	184,973	261,638	2.04
2020	593,868	398,117	386,127	581,878	100,970	168,240	269,210	2.16
2021	581,141	448,690	335,287	467,738	76,440	171,987	248,427	1.88
2022	565,317	401,634	246,741	410,424	108,500	170,852	279,352	1.47

(5) 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.
(6) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(7) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest. FY2019 was updated with new available data.
(8) Interest payment was restated to exclude capitalized interest and includes "springing" amendments.
(9) 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	Gross Pledged - Charges (10)(11)	Less: Operating Expenses(12)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2013	$ 607,125	$ 471,490	$ 135,635	$ 3,075	$ 1,856	$ 4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57
2018	652,919	587,355	65,564	12,350	15,602	27,952	2.35
2019	686,346	576,970	109,376	10,055	14,636	24,691	4.43
2020	764,755	666,018	98,737	10,545	14,261	24,806	3.98
2021	793,328	598,342	194,986	9,150	14,176	23,326	8.36
2022	726,203	575,068	151,135	3,520	14,160	17,680	8.55

(10) The gross revenues consist of transit fares, parking fines and fees, rental income, advertising revenue, investment income, parking meter revenues (but only to the extent bonds or other parity obligations have financed traffic regulation and control functions), plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code), and State Transit Assistance except for a portion that are restricted to application for paratransit purpose and therefore do not constitute pledged revenues.
(11) FY2020 to FY2022 gross revenues include federal pandemic support and effective FY2021 include amounts received from proceeds of the Traffic Congestion Mitigation Tax levied by the City pursuant to the City's Traffic Congestion Mitigation Tax Ordinance (Article 32 of the City's Business and Tax Regulations Code).
(12) The operating expense excludes expenses funded by the City's General Fund support and paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation, amortization and non-cash 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	Debt Service Principal	Debt Service Interest (17)	Debt Service Total	Coverage
2013	$ 253,078	$ 208,260	$ 109,323	$ 154,141	$ 23,095	$ 15,655	$ 38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006	60,901	3.79
2016	262,960	221,553	198,524	239,931	31,115	28,907	60,022	4.00
2017	279,668	244,220	216,095	251,543	20,870	39,537	60,407	4.16
2018	317,413	238,906	231,515	310,022	20,015	26,988	47,003	6.60
2019	351,782	259,813	161,677	253,646	22,435	37,912	60,347	4.20
2020	356,265	262,259	287,798	381,804	23,324	39,475	62,799	6.08
2021	325,008	290,737	271,906	306,177	25,698	56,367	82,065	3.73
2022	360,756	255,010	205,089	310,835	25,363	61,257	86,620	3.59

(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. FY2018 was updated with new available data.
(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. FY2018 was updated with new available data.
(17) Interest payment was restated to exclude capitalized interest and includes a "springing" amendment.

Port of San Francisco (18)

Fiscal Year	Total Operating Revenues (19)	Less: Operating Expenses (20)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2013	$ 81,536	$ 63,615	$ 17,921	$ 695	$ 2,151	$ 2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99
2018	112,000	79,027	32,973	1,325	2,849	4,174	7.90
2019	128,222	87,500	40,722	1,390	2,787	4,177	9.75
2020	108,454	89,544	18,910	1,455	2,718	4,173	4.53
2021	89,734	112,283	(22,549)	1,660	1,615	3,275	-6.89
2022	122,777	79,567	43,210	1,705	1,569	3,274	13.20

(18) 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.
(19) Total revenues consist of operating revenues and interest and investment income.
(20) 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. FY2019 - 2021 Operating expenses exclude South Beach Harbor fund.

Hetch Hetchy Water and Power (21)

Fiscal (25) Year	Gross Revenues (22)	Less: Operating Expenses (23)	Adjustments (24)	Net Available Revenue	Debt Service (25) Principal	Debt Service (25) Interest	Debt Service (25) Total	Coverage
2013	$ 101,191	$ 93,259	$ 6,765	$ 14,697	$ 1,009	$ 898	$ 1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33
2015	117,704	105,222	38,714	51,196	1,321	625	1,946	26.31
2016	122,954	110,012	20,102	33,044	-	-	-	
2017	122,187	116,935	58,176	63,428	-	-	-	
2018	122,251	119,395	64,356	67,212	710	1,860	2,570	26.15
2019	152,873	122,687	40,827	71,013	730	1,839	2,569	27.64
2020	151,835	148,127	76,853	80,561	755	1,813	2,568	31.37
2021	142,696	139,566	31,048	34,178	785	1,782	2,567	13.31
2022	176,897	142,716	64,445	98,626	815	3,602	4,417	22.33

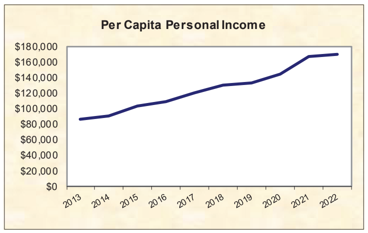
(21) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(22) Gross revenues consists of charges for power services, rental income and other income.
(23) Operating expenses only include power operating expense.
(24) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital. FY2020 was revised with new data.
(25) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

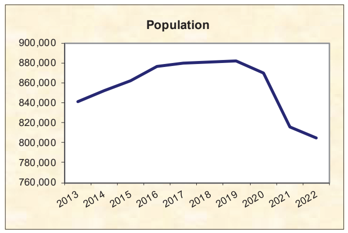
CITY AND COUNTY OF SAN FRANCISCO

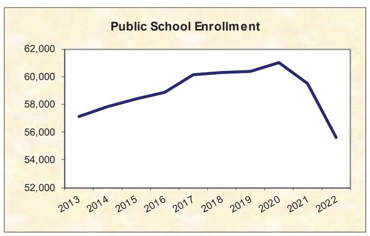
DEMOGRAPHIC AND ECONOMIC STATISTICS

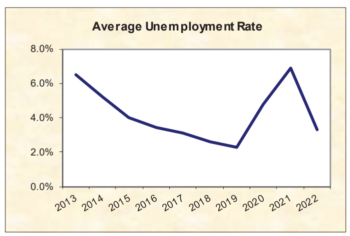
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2013	841,138	$72,858,445	$86,619	37.9	57,105	6.5%
2014	852,469	77,233,279	90,600	37.4	57,860	5.2%
2015	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	876,103	96,161,308	109,760	37.9	58,865	3.4%
2017	879,166	106,006,635	120,576	38.1	60,133	3.1%
2018	880,696	115,444,581	131,083	38.1	60,263	2.6%
2019	881,549	117,635,944[8]	133,442	38.3	60,390	2.3%
2020	870,014	125,499,720[8]	144,250[9]	38.2	61,031	4.8%
2021	815,201	136,122,330[8]	166,980[9]	38.2	59,498	6.9%
2022	804,534[7]	137,159,159[8]	170,483[9]	38.5[10]	55,592	3.3%









Sources:

(1) US Census Bureau. Fiscal years 2020 and 2021 were updated from last year's ACFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2019, 2020, and 2021 were updated from last year's ACFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2019, 2020, and 2021 were updated from last year's ACFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:

(7) 2022 population was estimated by multiplying the estimated 2020 population by the 2020 - 2021 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2020 and 2021 remained at the 2020 level of 4.54 percent. Fiscal years 2019. 2020 and 2021 were updated from last year's ACFR with newly available data.
(9) Per capita personal income for 2021 was estimated by dividing the personal income for 2021 by the reported population in 2021. Fiscal years 2020 and 2021 are updated from last year's ACFR with newly available data. 2022 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2022 population.
(10) Median age for 2022 was estimated by averaging the median age in 2020 and 2021.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers

Current Year and Nine Years Ago

	Year 2021 [(1)(a)]			Year 2012 [(2)]		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco......................	35,802	1	6.38%	25,458	1	5.33%
University of California, San Francisco [(b)].............	29,500	2	5.26%	22,664	2	4.74%
Salesforce..	10,603	3	1.89%	4,000	9	0.84%
San Francisco Unified School District..................	10,322	4	1.84%	8,189	5	1.71%
Sutter Health...	6,100	5	1.09%	-	-	-
Wells Fargo & Co...	5,899	6	1.05%	8,300	4	1.74%
Uber Technologies Inc.....................................	5,500	7	0.98%	-	-	-
Allied Universal..	4,095	8	0.72%	-	-	-
Kaiser Permanente...	3,921	9	0.70%	3,581	10	0.75%
First Republic Bank..	3,042	10	0.54%	-	-	-
PG&E Corporation..	-	-	-	4,415	7	0.92%
California Pacific Medical Center........................	-	-	-	8,559	3	1.79%
Gap, Inc...	-	-	-	6,000	6	1.26%
State of California..	-	-	-	4,184	8	0.88%
Total Top 10 Employers...................................	114,784		20.45%	95,350		19.96%
Total City and County Employment [(3)].................	561,308			477,650		

Source:

(1) City and County of San Francisco data provided by Office of Controller's Payroll and Personnel Services Division. The University of California, SF data is from the Data Source Corporate Personnel Data Warehouse. All other data is obtained from the San Francisco Business Times Book of Lists
(2) FY 2011-12 Annual Comprehensive Financial Report - City and County of San Francisco
(3) State of California Employee Development Department

Note:

(a) The latest data as of calendar year-end 2021 is presented
(b) The latest data as of April 2021 is presented

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)

Last Ten Fiscal Years

Function	2013	2014	2015 (2)	2016 (2)	2017	2018	2019 (3)	2020	2021	2022
Public Protection										
Fire Department	1,463	1,464	1,494	1,575	1,620	1,646	1,667	1,677	1,641	1,678
Police	2,655	2,727	2,784	2,871	3,013	2,971	3,053	3,203	3,048	2,881
Sheriff	1,013	984	1,015	1,006	1,056	1,001	1,020	1,031	1,008	1,000
Other	1,021	1,032	1,049	1,077	1,081	1,138	1,146	1,161	1,131	1,154
Total Public Protection	6,152	6,207	6,342	6,529	6,770	6,756	6,886	7,072	6,828	6,713
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,388	4,484	4,685	4,931	5,160	5,178	5,338	5,477	5,520	5,584
Airport Commission	1,443	1,460	1,473	1,493	1,541	1,586	1,587	1,592	1,610	1,601
Department of Public Works	808	825	852	925	981	1,027	1,057	1,071	1,063	1,050
Public Utilities Commission	1,620	1,621	1,618	1,634	1,637	1,648	1,676	1,690	1,667	1,708
Other	583	612	626	627	637	631	621	626	607	604
Total Public Works, Transportation and Commerce	8,842	9,002	9,254	9,610	9,956	10,070	10,279	10,456	10,467	10,547
Community Health										
Public Health	5,800	6,126	6,284	6,602	6,806	6,857	6,866	6,886	7,161	7,359
Total Community Health	5,800	6,126	6,284	6,602	6,806	6,857	6,866	6,886	7,161	7,359
Human Welfare and Neighborhood Development										
Human Services	1,750	1,855	1,964	2,046	2,068	2,099	2,094	2,141	2,160	2,204
Other	244	244	246	242	375	386	394	411	426	499
Total Human Welfare and Neighborhood Development	1,994	2,099	2,210	2,288	2,443	2,485	2,488	2,552	2,586	2,703
Culture and Recreation										
Recreation and Park Commission	841	870	893	916	935	934	927	940	912	925
Public Library	640	652	661	662	683	698	696	701	700	700
War Memorial	63	57	58	65	68	69	71	71	62	67
Other	210	213	214	215	211	214	213	212	200	198
Total Culture and Recreation	1,754	1,792	1,826	1,858	1,897	1,915	1,907	1,924	1,874	1,890
General Administration and Finance										
Administrative Services	723	716	750	803	830	845	871	917	913	962
City Attorney	303	308	308	306	307	307	309	310	310	311
Telecommunications and Information Services	199	216	209	221	228	232	225	220	224	229
Controller	198	204	219	253	263	257	251	250	248	251
Human Resources	124	135	143	152	155	148	166	172	177	203
Treasurer/Tax Collector	202	211	226	219	219	207	207	208	205	198
Mayor	49	49	50	55	56	58	63	78	76	81
Other	561	602	615	658	695	697	699	738	709	734
Total General Administration and Finance	2,359	2,441	2,520	2,667	2,753	2,751	2,791	2,893	2,862	2,969
General City Responsibilities										
General City Responsibilities	-	-	-	-	-	-	-	1	-	-
Subtotal annually funded positions	26,901	27,667	28,436	29,554	30,625	30,834	31,217	31,784	31,778	32,181
Capital project funded positions	1,486	1,569	1,721	1,789	2,124	2,211	2,300	2,409	2,441	2,513
Total annually funded positions	28,387	29,236	30,157	31,343	32,749	33,045	33,517	34,193	34,219	34,694

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.
(2) 2015 and 2016 has been updated with newly available data.
(3) 2019 has been updated with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	2013	2014	2015	2016	2017	2018	2019	2020 (1)	2021	2022
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:36	8:30	8:12	7:41	7:40	7:54	7:57	8:09	8:35	6:09
Police										
Average time from dispatch to arrival on scene for highest priority calls (2)	4:35	4:20	4:55	4:57	6.9	7.2	7.3	5:29	5:49	6:30
Number of homicides per 100,000 population	6.2	4.7	6.6	6.2	7.9	4.9	5.1	4.8	6.0	6.2
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	N/A	N/A	54%	N/A	51%	N/A	N/A	N/A	N/A	N/A
Number of blocks of City streets repaved	521	323	474	721	704	608	664	438	415	504
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	3.38	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	59.3%	58.8%	56.1%	59.9%	57.3%	56.5%	55.2%	52.3%	47.0%	50.9%
Percentage of scheduled service hours delivered	97.6%	90.7%	97.0%	99.0%	98.9%	97.5%	94.3%	N/A	90.0%	92.5%
Airport										
Percent change in air passenger volume	4.0%	3.2%	4.5%	6.7%	4.9%	7.0%	-0.1%	-29.3%	-59.5%	155.1%
Culture and Recreation										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected	91%	91%	85%	87%	89%	89%	N/A	92%	N/A	90%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good (3)	85%	N/A	92%	8.30	7.30	8.30	8.70	N/A	N/A	N/A
Circulation of materials at San Francisco libraries	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015	11,092,406	11,730,624	10,924,062	8,359,441	N/A
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378	1,678,682	1,601,223	809,076	355,224	947,742

Source: Controller, City and County of San Francisco

Notes:
(1) FY 2020 has been updated with newly available data.
(2) FY 2013 through FY 2016 reflects average time. FY2017 through FY2019 reflects , in a decimal format, the time from the receipt of a 911 call to the officer's arrival time.
(3) FY 2013 through FY 2015 is based on percentage of San Franciscans. FY2016 through FY2019 is based on a scale of 1 to 10.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,164	2,130	2,203	2,332	2,315	2,292	2,291	2,267	2,185	2,023
Fire protection (2)										
Number of stations	46	46	47	47	47	47	47	47	47	47
Number of firefighters	817	896	907	995	1,029	1,044	1,040	1,024	954	967
Public works										
Miles of street (3)	1,315	1,299	1,287	1,287	1,287	1,287	1,304	1,372	1,404	1,407
Number of streetlights (4)	44,655	44,656	44,907	44,498	44,686	44,891	44,832	44,631	42,737	43,202
Water (4)										
Number of services	173,744	173,970	174,111	174,083	174,394	175,054	175,805	176,379	176,246	177,072
Average daily consumption (million gallons)	215.1	217	190	171	175	190.4	184.5	190.9	188.6	181
Miles of water mains	1,488	1,488	1,499	1,489	1,488	1,489	1,719	1,719	1,719	1,719
Sewers (4)										
Miles of collecting sewers and transport/storage sewers	1,010	1,010	1,010	1,010	1,010	1,010	1,010	1,123	1,125	1,131
Recreation and cultures										
Number of parks (5)	221	221	220	220	220	220	220	221	221	222
Number of libraries (6)	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) (6)	3.5	3.6	3.6	3.8	3.9	3.7	3.5	3.9	3.5	4.4
Public school education (7)										
Attendance centers	115	116	116	117	117	117	117	122	122	122
Number of classrooms	2,877	3,135	3,160	3,219	3,219	3,219	3,216	3,216	3,215	3,215
Number of teachers, full-time equivalent	3,129	3,129	3,281	3,339	3,272	3,196	3,886	3,518	3,419	3,808
Number of students	56,970	57,620	58,414	58,865	60,133	60,263	60,390	61,031	58,705	55,592

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco. Combining miles of collecting and transport/storage sewers
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions of the Trust Agreement, the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, the Third Supplement to Trust Agreement, the Fourth Supplement to Trust Agreement, the Fifth Supplement to Trust Agreement, the Sixth Supplement to Trust Agreement, the Seventh Supplement to Trust Agreement, the Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease, the Fourth Supplement to Project Lease, the Fifth Supplement to Project Lease, the Sixth Supplement to Project Lease, the Seventh Supplement to Project Lease, the Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, the Third Supplement to Property Lease, the Fourth Supplement to Property Lease, the Fifth Supplement to Property Lease, the Sixth Supplement to Property Lease and the Seventh Supplement to Property Lease. These summaries do not purport to be complete or definitive and reference should be made to such documents for a full and complete statement of their provisions. All capitalized terms not defined in the Official Statement have the meanings set forth in the Trust Agreement.

DEFINITIONS OF CERTAIN TERMS

"2009A Certificates" means City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2009B Certificates" means City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2010A Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2010A.

"2012A Certificates" means City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2019-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2020-R1 Certificates" means City and County of San Francisco Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2012A Reserve Account" means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2012A Certificates.

"2021A Certificates" means City and County of San Francisco Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects) authorized by the Trust Agreement and at any time Outstanding thereunder.

"2023A Certificates" means City and County of San Francisco Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable) authorized by the Trust Agreement and at any time Outstanding thereunder.

“2023B Certificates” means City and County of San Francisco Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt) authorized by the Trust Agreement and at any time Outstanding thereunder.

“Additional Certificates” means any additional certificates of participation executed and delivered pursuant to the Trust Agreement (which includes the 2012A Certificates, the 2019-R1 Certificates, the 2020-R1 Certificates, the 2021A Certificates, the 2023A Certificates and the 2023B Certificates).

“Additional Rental” means the amounts specified as such in the Project Lease.

“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 be specified in a supplement to the Project Lease in connection with Additional Certificates, but does not include Additional Rental.

“Certificates” means the 2009A Certificates and all Additional Certificates under the Trust Agreement.

“Defeasance Securities” means

(i) Government Obligations and

(ii) pre-refunded fixed interest rate municipal obligations meeting the following conditions:

(a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash and/or Government Obligations;

(c) the principal of and interest on the Government Obligations (plus any cash in the escrow fund) 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.

“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. The Facilities will initially be the Link Building and the East Residence on the Site.

“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 pre-refunded municipal obligations rated in the highest rating category by Moody's and S&P.

"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 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 system-wide 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 are required to 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) above, which, exclusive of accrued interest, are required to be maintained at least 100% of par. In addition, repurchase agreements are required to meet the following criteria: (i) the third party (who is not permitted to 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 requires liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(1) 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 pre-refunded 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.

"Prior Parity Certificates" means the 2012A Certificates, the 2019-R1 Certificates, the 2020-R1 Certificates, and the 2021 Certificates.

"Project" means the health care, assisted living and/or other type of continuing care facility or facilities and related improvements and equipment to be financed with the 2009A Certificates, and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Reserve Requirement" means, for the 2012A Certificates, as of any date of calculation, the least of (i) the maximum annual principal and interest payable with respect to the 2012A Certificates in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest payable with respect to the 2012A Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the 2012A Certificates or (iii) 10% of the principal amount of 2012A Certificates originally executed and delivered. For any Certificates other than the 2012A Certificates, including the 2021A Certificates, the "Reserve Requirement" means (i) zero dollars ($0.00) or (ii) such greater amount as may be designated in a supplement to the Original Trust Agreement executed in connection with the execution and delivery of such series of Certificates. The Reserve Requirement for the 2021A Certificates, as designated in the Fifth Supplement to Trust Agreement, is $5,872,650. For any Certificates other than the 2012A Certificates and the 2021A Certificates, including the 2023A Certificates and the 2023B Certificates, the Reserve Requirement shall be zero dollars ($0.00) or such greater amount as may be designated in a supplement to the Original Trust Agreement executed in connection with the execution and delivery of such series of Certificates.

"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.

"Tax -Exempt" means, with respect to interest on, or with respect to, any obligations of a state or local government, including the Certificates, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

TRUST AGREEMENT

Although certain provisions of the Trust Agreement are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Authorization and Designation

The Trustee is authorized and directed under the Trust Agreement to execute and deliver the 2009A 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, in the Trust Agreement and in the Certificates.

Eminent Domain

If the Leased Property or any portion thereof is 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 pertaining to eminent domain will apply. Notwithstanding the provisions of the Project Lease, the City, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, is to notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates prepaid. The proceeds of any condemnation award are to be deposited as soon as possible with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, are required to 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 upon 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 under the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative to such effect, are required to 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, 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, are required to 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 is to so notify the Trustee in writing, and then any excess amounts are required to 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 are required to be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of 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 are required to 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, 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, are required to 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 are required to 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.

(b) 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 is required to use the insurance proceeds to remove the title defect, or (ii) the Trustee, 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, is required to deposit such proceeds in the Base Rental Fund, and such proceeds are required to be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Trust Agreement are required to be paid to the City to be used for any lawful purpose.

Amendments to Trust Agreement

The Trust Agreement may be amended in writing by agreement between the parties thereto, but no such amendment will become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing description of the amendment provision of the Trust Agreement, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of a City Representative and the Trustee, but only 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,

(a) 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 does not materially adversely affect the interests of the Owners of the Certificates then Outstanding,

(b) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates executed as Tax-Exempt Certificates,

(c) 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,

(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 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 thereof, 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 provision of the Trust Agreement have been met with respect to such amendment or modification.

No amendment to the Trust Agreement is permitted to impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. No such amendment or supplement to the Trust Agreement is permitted to (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 or any supplement to the Trust Agreement, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend the section of the Trust Agreement pertaining to Amendments to the Trust Agreement, 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 will 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 of Certificates then Outstanding.

Notwithstanding the foregoing description of the amendment provisions of the Property Lease and the Project Lease, 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 do 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 provision of the Property Lease or the Project Lease, as applicable, have been met with respect to such amendment or modification.

Notwithstanding anything in the Trust Agreement 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 will be effective unless and until the City has 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, is required to 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 will not affect the validity of the proceedings for the obtaining of such consent. Any such written consent will 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 described.

After the Owners of at least a majority of the aggregate principal amount of the Certificates then Outstanding have consented in writing, the governing body of the City is required to adopt a resolution accepting such consents and such resolution will 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 is to 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 will not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

City to Perform Property Lease and Project Lease

The City, in the Property Lease and the Project Lease, covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Property Lease and the Project Lease.

Compliance with Trust Agreement

The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the City will not suffer or permit any default by it to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by it.

Performance

The City is to 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 is to 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 is to prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Further Assurances

The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming to the Owners the rights and benefits provided in the Trust Agreement.

Continuing Disclosure

The City has covenanted under the Project Lease that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the

City to comply with the Continuing Disclosure Certificate is not to be considered an Event of Default; however, the Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, is required to) or any Certificate holder or Beneficial Owner may, take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Events of Default

Any one or more of the following events are an "Event of Default" under the Trust Agreement: the City defaults under the Project Lease by failing to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Base Rental provisions of the Project Lease, by the related Interest Payment Date; or 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 the Trust Agreement pertaining to the failure to pay Base Rental, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate does 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, pertaining to the failure to deposit with the Trustee any Base Rental payment required to be so deposited, the Trustee is to 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 of the Certificates then Outstanding, is required to 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 is required to give notice, at the expense of the City of such Event of Default to the Owners. Such notice is to state that an Event of Default has occurred and is to 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 is required to 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 will be cumulative and 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 is to 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 will 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 is to also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest with respect to any Certificate is to 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 are to be restored to their former positions and rights under the Trust Agreement, respectively, but such waiver is to be limited to the particular breach so waived and is not to 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 of 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 have first made written request of the Trustee after the right to exercise such powers or right of action has arisen, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has 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 is not to 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 of and interest then due and unpaid with respect to 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 are required to be deposited by the Trustee into the Base Rental Fund and used first to pay interest with respect to the Certificates and then to pay the principal with respect to the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited are required to 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 are required to 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 are required to 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 are required to 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.

Defeasance

(a) If all Certificates are 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 will 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 provisions relating to the Rebate Fund and tax covenants in the Trust Agreement, as applicable to Certificates executed as Tax-Exempt Certificates. 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, will 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 will be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination will be deemed no longer Outstanding under the Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash (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 on the Certificate Payment Date or earlier prepayment date thereof all principal of, premium, if any, and interest due with respect thereto; 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 with respect to such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates have not been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit as described in clauses (a)(ii) or (a)(iii) above will be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate will 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 as described in clauses (ii) and (iii) of subsection (a) above, a City Representative will 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 as described in 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.

(c) 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, will be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

FIRST SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2009B Certificates

The Trustee is authorized and directed under the First Supplement to Trust Agreement to execute and deliver the 2009B Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates.

SECOND SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2012A Certificates

The Trustee is authorized and directed under the Second Supplement to Trust Agreement to execute and deliver the 2012A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2009A Certificates and the 2009B Certificates.

THIRD SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2019-R1 Certificates

The Trustee is authorized and directed under the Third Supplement to Trust Agreement to execute and deliver the 2019-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the 2012A Certificates. A portion of the proceeds of the 2019-R1 Certificates was used, together with other funds of the City, to prepay and retire the 2009A Certificates and the 2009B Certificates.

FOURTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2020-R1 Certificates

The Trustee is authorized and directed under the Fourth Supplement to Trust Agreement to execute and deliver the 2020-R1 Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding 2012A Certificates and 2019-R1 Certificates.

FIFTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2021A Certificates

The Trustee is authorized and directed under the Fifth Supplement to Trust Agreement to execute and deliver the 2021A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding Prior Parity Certificates.

SIXTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2023A Certificates

The Trustee is authorized and directed under the Sixth Supplement to Trust Agreement to execute and deliver the 2023A Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding Prior Parity Certificates.

SEVENTH SUPPLEMENT TO TRUST AGREEMENT

Authorization, Designation and Description of the 2023B Certificates

The Trustee is authorized and directed under the Seventh Supplement to Trust Agreement to execute and deliver the 2023B Certificates as a series of Additional Certificates under the Trust Agreement delivered in accordance therewith and representing Base Rental on a parity basis with the Outstanding Prior Parity Certificates.

THE PROJECT LEASE

Although certain provisions of the Project Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Project Lease.

Project Lease Term; Transfer of Title to City

Pursuant to the Project Lease, the Trustee leases the Leased Property to the City, and the City leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided therein for the right to use and occupy the Leased Property, all on the terms and conditions set forth therein.

The term of the Project Lease began on May 27, 2009, and will end on the earliest of

(a) April 1, 2041 or

(b) at such earlier date as the Certificates and all other amounts due under the Project Lease and under the Trust Agreement have been paid or provision for their payment 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 of the Project Lease;

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 will end on the earlier of the date falling 10 years after the date set forth in subparagraph (a) above, or April 1, 2051, or the date on which no Certificates remain Outstanding and all Additional Rental has been paid.

Upon the termination of the Project Lease (other than as provided in the sections of the Project Lease relating to Eminent Domain or Default by the City), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, will 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 Trustee. Upon such termination, the Trustee will execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Rental Payments

The City agrees, subject to the terms of the Project Lease, to pay to the 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 is required to pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter described, such amounts constituting the aggregate rent payable under the Project Lease.

Budget

The City covenants under the Project Lease to take such action as may be necessary to include all Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to the rental abatement provisions of 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 are to 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 are required to 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 provided in the provisions of the Project Lease regarding rental abatement, any amount necessary to pay any Base Rental or portion thereof that is not so deposited is to remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee under the Project Lease, the City is required to make all Rental Payments when due and is not to 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 is absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the applicable provisions of the Project Lease. Amounts required to be deposited with the Trustee pursuant to the Project Lease on any date set forth in the Project Lease are to be reduced as permitted in the Project Lease.

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 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 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 hereby or 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 will be paid by the City directly to the person or persons to whom such amounts are payable. The City will 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.

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 are to be subject to abatement in accordance with the Project Lease 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 will 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 will 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 is to continue in full force and effect, except as set forth in the Project Lease under sections pertaining to eminent domain and application of insurance proceeds. 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.

Triple Net Lease

The Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for therein are to be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Replacement, Maintenance and Repairs

The City is to, 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 is to 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 will not be required to repair or replace any such portion of the Leased Property pursuant to the Project Lease if there will 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 thereunder 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 will 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 herein described, the City is entitled to use and occupy the Leased Property and the Trustee has 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 Trustee will 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 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 will 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 under the Project Lease (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 hereby agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to 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 will 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 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 will constitute Additional Rental under the Project Lease and will be payable directly to the entity assessing such taxes or charges.

Insurance

The City is to 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 is to 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. 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 is to, 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 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.

(iv) Commencing on the date of Final 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 October 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 required by clauses (ii) and (iii) above. Such insurance will not be subject to any deductible.

(iv) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment.

(v) 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 is to be outstanding until Final Completion of the Facilities.

Notwithstanding anything in the Project Lease to the contrary, the City has 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.

The City is required to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, insuring 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.

Liens

The City promptly will 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 will 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 will 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 will be borne by the City, and the Trustee will 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.

Performance

The City will faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates executed as Tax-Exempt 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) executed in connection with Certificates executed as Tax-Exempt Certificates, as such Tax Certificate may be amended from time to time.

Continuing Disclosure

The City covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an event of default under the Project Lease; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25 %) of the aggregate principal amount of the Outstanding Certificates, is to) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

Acquisition, Construction and Renovation of the Facilities

The City will 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 will 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.

Eminent Domain

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, is taken under the power of eminent domain, then the Project Lease terminates as of the later of the day possession is so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed thereunder. 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 again begin to accrue with respect thereto upon replacement of the Leased Property.

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, then the Project Lease is to 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 is required to 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 again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Assignment

The City is not permitted to 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 will be, and is to 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 will 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 is to 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 therein. In no event is the City to 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 (with respect to Certificates executed as Tax-Exempt Certificates) 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 thereunder.

Additions and Improvements; Removal

The City will 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 is to 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 is to be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement is not to be inconsistent with the Project Lease.

Right of Entry

Representatives of the Trustee, 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, at all times during the Project Lease Term, will peaceably and quietly have, hold, and enjoy the Leased Property.

Indemnification and Hold Harmless Agreement

To the extent permitted by law, the City hereby 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. The provisions of the Project Lease described in this paragraph will survive the termination of the Project Lease.

Events of Default

The following are events of default under the Trust Agreement: (i) the City fails to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the applicable Project Lease provisions by the related Interest Payment Date; (ii) the City fails to pay any item of Additional Rental as and when the same become due and payable pursuant to the Project Lease, or (iii) the City breaches any other terms, covenants or conditions contained in the Project Lease, in the Property Lease or in the Trust Agreement, and fails 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, fails 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 will not constitute an event of default under the Project Lease.

Remedies on Default

The Trustee has the right, at its option, without any further demand or notice

(i) to reenter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, relet the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, in which event the rents received on such reletting are required to be applied as set forth in the Trust Agreement; provided, that if a sufficient sum is not realized to pay such sums and other charges then the City is required to pay to the Trustee any net deficiency existing on the date when the Base Rental or Additional Rental is due under the Project Lease; provided, however, that such reentry and reletting are to be done only with the consent of the City, which consent is irrevocably given; or

(ii) in lieu of the above, 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 therein.

Any reentry pursuant to the Project Lease is to be allowed by the City without hindrance, and the Trustee will not be liable in damages for any reentry or be guilty of trespass. The Trustee or any assignee of the rights of the Trustee thereunder is not to exercise its remedies thereunder so as to cause the interest with respect to the Certificates executed as Tax-Exempt 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, (i) in no event is the Trustee to have the right to accelerate the payment of any Base Rental under the Project Lease and (ii) the foregoing remedies to reenter and relet the Leased Property are to be subject to applicable laws regarding the use of such property (including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or state grants).

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 will not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly limits the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

All damages and other payments received by the Trustee pursuant to the provisions of the Project Lease pertaining to default are required to be applied in the manner set forth in the Trust Agreement.

Addition, Release and Substitution

If no Project Lease Event of Default has occurred and is continuing thereunder, 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 has 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 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, 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, is to 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 executed as Tax-Exempt 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).

Amendment

The Project Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates will be substantially in the form of the Project Lease.

Excess Payments

Notwithstanding anything contained in the Project Lease or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due under the Project Lease and under the Trust Agreement, such excess represents the City's equity interest in the Leased Property and is all to be paid to the City.

FIRST SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2009B 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 2009B Certificates, showing 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 2009B Certificates.

SECOND SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2012A 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 2012A Certificates, showing 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 2012A Certificates.

THIRD SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2019-R1 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 2019-R1 Certificates, showing 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 2019-R1 Certificates.

FOURTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2020-R1 Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the additional Leased Property identified in Exhibit A-1 attached to the Fourth Supplemental Project Lease (which is the property generally known as the San Bruno Complex, 1 Moreland Drive, San Bruno, California 94006), which policy, when combined with the policy of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2020-R1 Certificates and then-outstanding aggregate principal amounts of the 2012A Certificates and the 2019-R1 Certificates, inclusive, showing a leasehold interest in such additional 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 2020-R1 Certificates and such outstanding 2012A Certificates and 2019-R1 Certificates.

FIFTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2021A Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required) with respect to the additional Leased Property identified in Exhibit A-1 attached to the Fifth Supplemental Project Lease (which is the property generally known as South Residence building, located on a portion of the real property of the campus of Laguna Honda Hospital, 375 Laguna Honda Boulevard in the City, including all rights of access reasonably necessary to enter, leave and make reasonable use of such building), which policy, when combined with the policies of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates and the 2020-R1 Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2021A Certificates and then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, showing a leasehold interest in such additional 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 2021A Certificates and such outstanding Prior Parity Certificates.

SIXTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2023A Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), which policy, when combined with the policies of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates, the 2020-R1 Certificates, and the 2021A Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2023A Certificates and then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, showing a leasehold interest in such additional 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 2023A Certificates and such outstanding Prior Parity Certificates.

SEVENTH SUPPLEMENT TO PROJECT LEASE

Insurance

A new section is added to the Project Lease requiring that the City deliver to the Trustee, on the date of execution and delivery of the 2023B Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), which policy, when combined with the policies of title insurance issued in connection with the issuance and delivery of the 2019-R1 Certificates, the 2020-R1 Certificates, and the 2021A Certificates, is to be in an aggregate amount at least equal to the initial aggregate principal amount of the 2023B Certificates and then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, showing a leasehold interest in such additional 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 2023B Certificates and such outstanding Prior Parity Certificates.

THE PROPERTY LEASE

Although certain provisions of the Property Lease are summarized below, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Property Lease.

Lease of Leased Property

The City leases to the Trustee the real property located in San Francisco, California and described in Exhibit A attached to the Property Lease (the "Site"), together with all buildings and improvements then situated or thereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms thereof and (ii) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Trustee may require in order to fulfill its obligations under the Property Lease and under the Project Lease.

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 Trustee is not to assign, mortgage, hypothecate or otherwise encumber the Property Lease or any rights thereunder or the leasehold created thereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the 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 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.

Quiet Enjoyment

The Trustee at all times during the term of the Property Lease will peaceably and quietly have, hold and enjoy all of the Leased Property.

Default

In the event that the Trustee or its assignee is 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 will be deemed to occur as a result thereof; provided, however, that the City has no power to terminate the Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee duly performs the terms and conditions of the Property Lease, such assignee is be deemed to be and becomes the tenant of the City under the Property Lease, entitled to all of the rights and privileges granted under any such assignment.

FIRST SUPPLEMENT TO PROPERTY LEASE

Rent

Under the Original Property Lease, as additional consideration to the City, the parties agreed that, upon a request made by the City to the Trustee within twenty-four (24) months of the date thereof, the parties would amend the Original Property Lease to increase the rent payable by the Trustee thereunder by an amount specified by the City not to exceed $42,000,000, and negotiate in good faith in connection with an amendment to the Original Property Lease to provide for additional Base Rental payments by the City thereunder. The City and the Trustee agreed in the First Supplement to Property Lease that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2009B Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the First Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Trust Agreement.

SECOND SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agreed that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2012A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Second Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Original Trust Agreement.

THIRD SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2019-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Third Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Third Supplement to Trust Agreement.

FOURTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2020-R1 Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Fourth

Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Fourth Supplement to Trust Agreement.

FIFTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2021A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Fifth Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Fifth Supplement to Trust Agreement.

SIXTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2023A Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Sixth Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Sixth Supplement to Trust Agreement.

SEVENTH SUPPLEMENT TO PROPERTY LEASE

Rent

As additional consideration to the City payable under the Original Property Lease, the City and the Trustee agree that the Trustee will pay to the City an advance rent in the amount of the net proceeds of the 2023B Certificates as additional prepaid rental and additional rent of $1 per year as consideration for the Seventh Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the Seventh Supplement to Trust Agreement.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$103,410,000 CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION SERIES 2023A (AFFORDABLE HOUSING AND COMMUNITY FACILITIES PROJECTS) (FEDERALLY TAXABLE)	**$80,040,000 CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION SERIES 2023B (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (TAX-EXEMPT)**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of May 1, 2009 (the "Original Trust Agreement"), as previously supplemented and amended and as supplemented and amended by the Sixth Supplement to Trust Agreement, dated as of November 1, 2023 and the Seventh Supplement to Trust Agreement, dated as of November 1, 2023 (as supplemented and amended, the "Trust Agreement"), between the City and U.S. Bank Trust Company, National Association, as successor-in-interest to U.S. Bank National Association (in such capacity, the "Trustee"). Pursuant to Section 8.10 of the Original Trust Agreement and Section 4.8 of that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the Sixth Supplement to Project Lease, dated as of November 1, 2023 and the Seventh Supplement to Project Lease, dated as of November 1, 2023 (as supplemented and amended, the "Project Lease"), by and between the Trustee and the City, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

"Annual Report" will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" will mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" will mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" will mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" will mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2022-23 Fiscal Year (which is due not later than March 26, 2024), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general-purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued lease obligations and certificates of participation payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: ______________

CITY AND COUNTY OF SAN FRANCISCO

____

Benjamin Rosenfield
Controller

Approved as to form:

DAVID CHIU
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 Issuer:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION SERIES 2023A (AFFORDABLE HOUSING AND COMMUNITY FACILITIES PROJECTS) (FEDERALLY TAXABLE)
	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION SERIES 2023B (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (TAX-EXEMPT)
Date of Delivery:	November 7, 2023

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: ______________________________

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 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 City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation 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. As used in this appendix, "Securities" means the Certificates, "Issuer" means the City, and "Agent" means the Trustee.

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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 has a Standard & Poor's rating of AA+. 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.

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.

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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 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 Issuer or Agent, 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, Agent, or 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 Issuer or Agent, 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. 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.

APPENDIX F

PROPOSED FORMS OF CO-SPECIAL COUNSEL OPINIONS

__________, 2023

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $103,410,000 City and County of San Francisco Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable)

We have acted as co-special counsel to our client the City and County of San Francisco (the "City") in connection with the execution and delivery by the City of the $103,410,000 City and County of San Francisco Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable) (the "2023A Certificates"), evidencing undivided and proportionate interests of the owners of the 2023A Certificates in certain base rental payments (the "Base Rental Payments") to be made by the City pursuant to that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended (the "Original Project Lease"), as further supplemented and amended by that certain Sixth Supplement to Project Lease, dated as of November 1, 2023, relating to the 2023A Certificates (the "Sixth Supplement to Project Lease" and, together with the Original Project Lease, as previously supplemented and amended, the "Project Lease"), by and between U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as lessor, and the City, as lessee. In that regard, we have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City in connection with the authorization, execution and delivery by the City of the Project Lease. We have also reviewed that certain Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended (the "Original Trust Agreement"), as further supplemented and amended by that certain Sixth Supplement to Trust Agreement, dated as of November 1, 2023 (the "Sixth Supplement to Trust Agreement" and, together with the Trust Agreement, as supplemented and amended, the "Trust Agreement"), by and between U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the "Trustee"), and the City. Each capitalized term used but not defined herein shall have the meaning given thereto in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the 2023A Certificates, which Certificates are dated their date of delivery. The 2023A Certificates mature on the dates and in the amounts set forth in the Sixth Supplement to Trust Agreement, and interest due with respect to the 2023A Certificates is payable on the dates and at the rates per annum set forth in the Sixth Supplement to Trust Agreement.

In our capacity as co-special counsel, we have examined the transcript of proceedings relating to the issuance of the 2023A Certificates, the Trust Agreement, the Project Lease, the Property Lease, a copy of the signed and authenticated 2023A Certificates and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. Each of the Project Lease, the Property Lease and the Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and legally binding agreement of the City enforceable against the City in accordance with its terms.

2. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Project Lease is a valid and binding obligation payable from the funds of the City lawfully available therefor, and the obligation of the City to make Base Rental Payments under the Project Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

3. The portion of each Base Rental Payment constituting interest with respect to the 2023A Certificates and received by the owners of the 2023A Certificates is exempt from State of California personal income taxes.

We express no opinion as to the treatment for State of California income tax purposes of amounts paid to owners of the 2023A Certificates in the event of termination of the Project Lease as the result of money not being appropriated to pay Base Rental Payments, and we express no opinion as to any other tax consequences regarding the 2023A Certificates.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions, which are subject to change, and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, including those of the City, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

We express no opinion herein regarding the priority of the lien on moneys held by the Trustee or other funds created by the Trust Agreement. We express no opinion herein with respect to the status or quality of title to, or any interest in, any of the property described in the Project Lease, or the accuracy or sufficiency of the description contained therein of any of that property, or the priority of, or the remedies available to enforce, any claim on or interest in any of that property.

The rights of the owners of the 2023A Certificates and the enforceability of the 2023A Certificates, the Trust Agreement, the Property Lease and the Project Lease are, and the opinions expressed above are qualified to the extent that they are, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are given only as of the time of its delivery, and we disclaim any obligation to revise or supplement this letter thereafter, including to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our engagement as co-special counsel in connection with the original execution and delivery of the 2023A Certificates is concluded upon delivery of this letter.

Respectfully submitted,

__________, 2023

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: $80,040,000 City and County of San Francisco Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt)

We have acted as co-special counsel to our client the City and County of San Francisco (the "City") in connection with the execution and delivery by the City of the $80,040,000 City and County of San Francisco Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt) (the "2023B Certificates"), evidencing undivided and proportionate interests of the owners of the 2023B Certificates in certain base rental payments (the "Base Rental Payments") to be made by the City pursuant to that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended (the "Original Project Lease"), as further supplemented and amended by that certain Seventh Supplement to Project Lease, dated as of November 1, 2023, relating to the 2023B Certificates (the "Seventh Supplement to Project Lease" and, together with the Original Project Lease, as previously supplemented and amended, the "Project Lease"), by and between U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as lessor, and the City, as lessee. In that regard, we have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the City in connection with the authorization, execution and delivery by the City of the Project Lease. We have also reviewed that certain Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended (the "Original Trust Agreement"), as further supplemented and amended by that certain Seventh Supplement to Trust Agreement, dated as of November 1, 2023 (the "Seventh Supplement to Trust Agreement" and, together with the Original Trust Agreement, as supplemented and amended, the "Trust Agreement"), by and between U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the "Trustee"), and the City. Each capitalized term used but not defined herein shall have the meaning given thereto in the Trust Agreement.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the 2023B Certificates, which 2023B Certificates are dated their date of delivery. The 2023B Certificates mature on the dates and in the amounts set forth in the Seventh Supplement to Trust Agreement, and interest due with respect to the 2023B Certificates is payable on the dates and at the rates per annum set forth in the Seventh Supplement to Trust Agreement.

In our capacity as co-special counsel, we have examined the transcript of proceedings relating to the issuance of the 2023B Certificates, the Trust Agreement, the Project Lease, the Property Lease, a copy of the signed and authenticated 2023B Certificates and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. Each of the Project Lease, the Property Lease and the Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and legally binding agreement of the City enforceable against the City in accordance with its terms.

2. The obligation of the City to pay Base Rental Payments in accordance with the terms of the Project Lease is a valid and binding obligation payable from the funds of the City lawfully available therefor, and the obligation of the City to make Base Rental Payments under the Project Lease does not constitute a debt of the City, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the City, the State of California or any political subdivision thereof.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Base Rental Payment constituting interest with respect to the 2023B Certificates and received by the owners of the 2023B Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

4. The portion of each Base Rental Payment constituting interest with respect to the 2023B Certificates and received by the owners of the 2023B Certificates is also exempt from State of California personal income taxes.

We express no opinion as to the treatment for federal income tax purposes or State of California income tax purposes of amounts paid to owners of the 2023B Certificates in the event of termination of the Project Lease as the result of money not being appropriated to pay Base Rental Payments, and we express no opinion as to any other tax consequences regarding the 2023B Certificates.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions, which are subject to change, and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the City.

We express no opinion herein regarding the priority of the lien on moneys held by the Trustee or other funds created by the Trust Agreement. We express no opinion herein with respect to the status or quality of title to, or any interest in, any of the property described in the Project Lease, or the accuracy or sufficiency of the description contained therein of any of that property, or the priority of, or the remedies available to enforce, any claim on or interest in any of that property.

In rendering those opinions with respect to treatment of the portion of each Base Rental Payment constituting interest with respect to the 2023B Certificates under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including the Tax Certificate executed by the City relating to 2023B Certificates. Failure to comply with certain of those covenants subsequent to issuance of the 2023B Certificates may cause the portion of each Base Rental Payment constituting interest with respect to the 2023B Certificates paid to owners of the 2023B Certificates to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the 2023B Certificates and the enforceability of the 2023B Certificates, the Trust Agreement, the Property Lease and the Project Lease are, and the opinions expressed above are qualified to the extent that they are, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are given only as of the time of its delivery, and we disclaim any obligation to revise or supplement this letter thereafter, including to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our engagement as co-special counsel in connection with the original execution and delivery of the 2023B Certificates is concluded upon delivery of this letter.

Respectfully submitted,

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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 September 2023

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 small / medium and 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 broker.

When evaluating Broker-Dealers, the Treasurer's Office will strongly consider the Minority / Historically Disadvantaged status of both the firm's ownership and the assigned broker.

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. \

All approved broker-dealers will be re-assessed on an on-going basis.

The inclusion of a Broker-Dealer on TTX's approved list does not guarantee that the firm will be successful in doing business with TTX.

All securities shall be purchased and sold in a competitive environment and investment decisions will be made based on best execution.

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 settlement date can be no longer than five years with a trade date no longer than 45 days from settlement date. .

All exposure limits defined below will be measured against total portfolio par value (unless otherwise specified) and at time of purchase.

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, Eligible Counterparty and Eligible Money Market 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 full 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 rating of the highest ranking 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 either:

1. Non-negotiable time deposits (Certificates of Deposit or CDs) that have FDIC or similar deposit insurance; or

2. Fully collateralized CDs in approved financial institutions.

The Treasurer's Office will invest in CDs and Time Deposits only with those firms having at least one branch office within the boundaries of the City and County of San Francisco. As required by Government Code Section 53649, the Treasurer's Office shall have a signed agreement with any depository accepting City funds.

For Public Time Deposits not employing deposit insurance (such as FDIC), the Treasurer's Office is authorized to accept two forms of collateral:

A. Deposit Collateral. 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 deposit insurance.

B. Letters of Credit Issued by the Federal Home Loan Bank of San Francisco. As authorized by Section 53651 (p) of the California Government Code, Letter of Credit may be accepted as collateral and shall conform to the requirements of Section 53651.6 of the California Government Coded include the following terms:

(1) The Administrator, as defined by Section 53630 (g) of the California Government Code, shall be the beneficiary of the letter of credit; and

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
$80mm	$20mm	N/A	6 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 rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

The purchase of Canadian Yankee CDs shall be limited to maturities of less than 400 days.

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	30%	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 highest ranking (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
30% of the portfolio value	10%	5%	5 Years

Maturity Allocation Buckets:

a. More than 4 years to Maturity: No more than 5% of Pool Par Value;
b. 3 to 4 years to Maturity: No more than 5% of Pool Par Value; and
c. 2 to 3 years to Maturity: No more than 5% of Pool Par Value.

Percentage of Pool Par Value is determined at the time a security is purchased. If subsequent to purchases, a Maturity bucket exceeds the 5% allocation, investment staff may continue to hold existing positions.

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking 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.).

Fund Type	Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
Institutional Government	20% of Total Pool assets	N/A	5%	N/A

Issuer Minimum Credit Rating: Fund must be rated in the highest rating category from not less than two NRSROs .

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
30%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term credit rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

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, deferred deposit (payday-lending) businesses and organizations involved in financing, either directly or indirectly, the Dakota Access Pipeline or, as determined by the Treasurer, similar pipeline projects. 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.

QUALIFIED INSTITUTIONAL BUYER: A purchaser of securities that is deemed financially sophisticated and is legally recognized by securities market regulators to need less protection from issuers than most public investors.

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.

RULE 144A. A safe harbor exemption from the registration requirements of Section 5 of the Securities Act for certain offers and sales of qualifying securities by certain persons other than the issuer of the securities. The exemption applies to resales of securities to qualified institutional buyers, who are commonly referred to as “QIBs.”

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.