

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Annual Financial Report

For the Year Ended June 30, 2023

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

For the Year Ended June 30, 2023

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Independent Auditor's Report

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the fiduciary activities of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary activities of the Successor Agency as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Successor Agency 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 opinion.

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 Successor Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency'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 Successor Agency'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 schedule of the Successor Agency's proportionate share of the net pension liability, the schedule of contributions – pension plan, the schedule of changes in net other postemployment benefits (OPEB) liability and related ratios, and the schedule of contributions – OPEB plan, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2023 on our consideration of the Successor Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Successor Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Successor Agency's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 22, 2023

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

The Management's Discussion and Analysis presents a narrative overview and analysis of the financial activities of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) for fiscal year ended June 30, 2023 (fiscal year 2022-23). We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section.

As per California Redevelopment Dissolution law, the Successor Agency is the successor to the former Redevelopment Agency of the City and County of San Francisco (Redevelopment Agency). The Successor Agency has assumed the financial obligations of the former Redevelopment Agency and is tasked with completing the redevelopment activities of the former Redevelopment Agency, as they existed at the time of Dissolution and as approved as final and conclusive obligations by the California Department of Finance.

Financial Highlights

The Successor Agency's net position was a deficit of \$418.5 million at the end of fiscal year 2022-23. This is a net decrease of \$31.4 million compared to a deficit of \$449.9 million in the prior fiscal year. The largest portion of the Successor Agency's liabilities is long-term obligations of \$876.6 million, which is primarily composed of tax allocation bonds issued to directly fund or reimburse private developers for construction of public infrastructure, or to directly fund construction of affordable housing. As the Successor Agency pays annual debt service with revenues, the net deficit is expected to decrease over time.

The Successor Agency's additions for fiscal year 2022-23 were \$165.3 million, an increase of \$19.1 million or 13.1 percent when compared to \$146.2 million in the prior fiscal year. The increase was mainly due to increases of \$16.9 million for investment income, \$9.0 million for developer payments and \$6.8 million for Other additions, offset by decreases of \$11.0 million for property tax revenues and \$2.5 million for Grants. The increase in investment income was primarily to the impact of fair value adjustments and the increase in interest rates. The increase in Developer payment was due to increase in affordable housing project fees for the year. The decrease in property tax was mainly due to the reduction in property tax requested for the annual scheduled debt service payments and the project area expenses. The decrease in Grant was primarily due to the completion of the rehabilitation of building 101 during the current year.

The Successor Agency's deductions for fiscal year 2022-23 were \$133.9 million, a decrease of \$11.8 million or 8.1 percent compared to \$145.7 million in the prior fiscal year. The decrease was mainly due to decrease of \$13.4 million for Salaries and benefits and \$14.1 million for contracted services. The decrease in Salaries and benefits was primarily due to the impact of recognition of noncash pension expenses of \$12.0 million for prior year. The decrease in contracted services is due to decrease in payments made to reimburse the developer for Mission Bay South project area. These decreases were offset by an increase in Affordable housing loan program cost of \$19.1 million for development projects of Mission Bay, Hunters Point Shipyard, and Transbay project areas.

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Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2023

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Successor Agency's basic financial statements. The Successor Agency's financial statements are comprised of two components: 1) basic financial statements including Statement of Fiduciary of Net Position and the Statement of Changes in Fiduciary Net Position, and 2) notes to the basic financial statements. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Successor Agency's pension and Other Postemployment Benefits (OPEB) plans.

Budgetary Control

The former Redevelopment Agency of the City and County of San Francisco and the Successor Agency issued bonds or incurred long-term debt pledged against future tax increment to finance redevelopment projects. The Successor Agency's assets can only be used to pay enforceable obligations in existence at the time of Dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments. Some of these enforceable obligations require the Successor Agency to enter into new contracts that comply with, and are ancillary to, the pre-dissolution obligations of the Former Redevelopment Agency. California Redevelopment Dissolution Law requires that the Successor Agency transfer completed public projects to the appropriate public jurisdiction for their continued maintenance and operations. The Successor Agency will transfer completed public facilities such as parks, streets, and affordable housing to an appropriate public entity such as the City and County of San Francisco (City).

Pursuant to California Redevelopment Dissolution Law, the Successor Agency is required to adopt an annual Recognized Obligation Payments Schedule (ROPS). The ROPS lists all enforceable obligations due and payable during the fiscal year. The ROPS identifies enforceable obligations to be funded with tax increment and other sources and is the basis for the City Controller's distribution of tax increment from the Redevelopment Property Tax Trust Fund. Additionally, the ROPS contains the Successor Agency's administrative budget. The ROPS is presented to and approved by the Oversight Board, whose members are appointed by the Mayor of the City and the taxing entities. Following Oversight Board approval, the ROPS is submitted and approved by the California Department of Finance. California Redevelopment Dissolution Law also requires the Successor Agency to submit a Prior Period Adjustment form to demonstrate compliance with the ROPS. The City Controller annually reviews and confirms the accuracy of the Prior Period Adjustment form to the Department of Finance by February. In February 2023, the City Controller confirmed that the Successor Agency's fiscal year 2020-21 expenses were compliant with the ROPS. The City Controller will evaluate fiscal year 2021-22 expenses by February 2024.

In addition to the ROPS, the Successor Agency adopts an annual budget. The budget is consistent with the ROPS and is presented to and approved by the Successor Agency's Commission, whose members are appointed by the Mayor of the City and approved by the Board of Supervisors. Following Commission approval, the budget is submitted to and approved by the San Francisco Board of Supervisors during the City's annual budget process.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

Analysis of Change Net Position

The Successor Agency's total net position, which may serve as a useful indicator of the Successor Agency's financial position, was a deficit of \$418.5 million at the end of fiscal year 2022-23. Shown below is a schedule that summarizes the Successor Agency's net position held in trust:

Condensed Statement of Fiduciary Net Position
(In thousands)

Assets	June 30, 2023	June 30, 2022	\$ Change
Restricted cash and investments with trustees	\$ 319,563	\$ 375,291	\$ (55,728)
Cash and investments with City Treasury	185,710	171,460	14,250
Net OPEB asset	2,118	3,523	(1,405)
Other assets	7,797	8,687	(890)
Capital assets	4,152	4,152	-
Total assets	519,340	563,113	(43,773)
Deferred outflows of resources	51,994	43,691	8,303
Liabilities			
Accounts and other payables	20,935	21,072	(137)
Payable to the City	3,622	4,565	(943)
Developer payable	45,673	46,844	(1,171)
Long-term obligations	876,559	937,664	(61,105)
Net pension liability	37,328	22,028	15,300
Total liabilities	984,117	1,032,173	(48,056)
Deferred inflows of resources	5,675	24,533	(18,858)
Total net position held in trust	\$ (418,458)	\$ (449,902)	\$ 31,444

Assets

The Successor Agency's assets on June 30, 2023, were \$519.3 million, a decrease of \$43.8 million or 7.8 percent, when compared with \$563.1 million the prior fiscal year. The decrease was primarily due to the following:

- Decrease in Restricted cash and investments with trustees of \$55.7 million or 14.8 percent, from \$375.3 million at June 30, 2022 to \$319.6 million at June 30, 2023. The balance was primarily composed of bond proceeds issued by the Successor Agency to finance public infrastructure and affordable housing and held in trust as required by the bond documents. The decrease was due to the disbursement of funds for infrastructure and affordable housing expenses.
- Increase in Cash and investments with City Treasury of \$14.3 million or 8.3 percent, from \$171.5 million at June 30, 2022 to \$185.7 million at June 30, 2023. The increase was mainly due to the timing of cash receipts and interest earned on investments with City treasury.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

- Decrease in Net OPEB asset of \$1.4 million or 39.9 percent, from \$3.5 million at June 30, 2022 to \$2.1 million at June 30, 2023. The decrease was mainly due to unfavorable investment returns during the measurement period.
- Decrease in Other assets of \$0.9 million or 10.2 percent, from \$8.7 million at June 30, 2022 to \$7.8 million at June 30, 2023. Other assets are primarily comprised of receivables for developer billing, grants, interest, and housing loans. The decrease was mainly due to a decrease of intergovernmental receivables related to the rehabilitation of Building 101, which was funded by an EDA grant.

Liabilities

The Successor Agency's liabilities at June 30, 2023 were \$984.1 million, a decrease of \$48.1 million or 4.7 percent when compared with \$1,032.2 million the prior fiscal year. The decrease was primarily due to the following:

- Decrease in Accounts and other payable of \$0.1 million or 0.7 percent from \$21.1 million at June 30, 2022 to \$20.9 million at June 30, 2023. The decrease was mainly due to the timing of payments.
- Decrease in Payable to the City of \$1.0 million or 20.7 percent from \$4.6 million at June 30, 2022 to \$3.6 million at June 30, 2023. The decrease was mainly due to the timing of payments.
- Decrease in Developer payable of \$1.2 million or 2.5 percent from \$46.8 million at June 30, 2022 to \$45.7 million at June 30, 2023. The decrease was due to catch-up payments of pledged property tax made to the Hunters Point Shipyard/Candlestick Point developer during the year. Payments of pledged property tax were held for payment until the approval by the Department of Finance.
- Decrease in Long-term obligations of \$61.1 million or 6.5 percent, from \$937.7 million at June 30, 2022 to \$876.6 million at June 30, 2023. The decrease was primarily due to the annual scheduled principal payments made for tax allocation bonds.
- Increase in Net pension liability of \$15.3 million or 69.5 percent, from \$22.0 million at June 30, 2022 to \$37.3 million at June 30, 2023. The increase was primarily due to unfavorable investment returns during the measurement period.

Deferred Outflows and Inflows of Resources

The Successor Agency's deferred outflows of resources at June 30, 2023 were \$52.0 million, an increase of \$8.3 million or 19.0 percent when compared with \$43.7 million at June 30, 2022. The increase was primarily due to increases of \$8.9 million in pension items and \$1.9 million in OPEB items offset by decrease of \$2.5 million in unamortized loss on refunding,

The Successor Agency's deferred inflows of resources at June 30, 2023 were \$5.7 million, a decrease of \$18.9 million or 76.9 percent when compared with \$24.5 million at June 30, 2022. The decrease was primarily due to decreases of \$16.7 million in pension items and \$2.2 million in OPEB items.

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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

The Successor Agency's net position increased by \$31.4 million for fiscal year 2022-23. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended		\$ Change
	June 30, 2023	June 30, 2022	
Additions			
Property tax revenues	\$ 122,603	\$ 133,643	\$ (11,040)
Developer payments	17,988	8,999	8,989
Charges for services	403	373	30
Hotel occupancy tax	4,492	4,505	(13)
Investment income	11,280	(5,587)	16,867
Grants	763	3,278	(2,515)
Other	7,785	963	6,822
Total additions	<u>165,314</u>	<u>146,174</u>	<u>19,140</u>
Deductions			
Salaries and benefits	6,429	19,804	(13,375)
Administrative and operating	653	1,307	(654)
Affordable housing loan program costs	37,135	18,047	19,088
Contracted services:			
Hunters Point Shipyard / Candlestick Point	2,931	6,164	(3,233)
Mission Bay North and South	16,024	27,228	(11,204)
Transbay	1,758	1,424	334
Other	1,000	973	27
Community based programs	31	461	(430)
Distribution of pledged revenues to			
Transbay Joint Powers Authority	27,324	28,294	(970)
Interest on debt	40,581	41,963	(1,382)
Other	4	14	(10)
Total deductions	<u>133,870</u>	<u>145,679</u>	<u>(11,809)</u>
Change in net position	31,444	495	30,949
Net position, beginning of year	(449,902)	(450,397)	495
Net position, end of year	<u>\$ (418,458)</u>	<u>\$ (449,902)</u>	<u>\$ 31,444</u>

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For the Year Ended June 30, 2023

Additions

The Successor Agency's additions to net position for the year ended June 30, 2023, were \$165.3 million, an increase of \$19.1 million or 13.1 percent when compared with \$146.2 million for the prior year. The increase was primarily due to the following:

- Decrease in Property tax revenues of \$11.0 million or 8.3 percent, from \$133.6 million for the year ended June 30, 2022, to \$122.6 million for the year ended June 30, 2023. This was primarily due to the reduction in property tax requested for the annual scheduled debt service payments and the project area expenses.
- Increase in Developer payments of \$9.0 million or 99.9 percent, from \$9.0 million for the year ended June 30, 2022, to \$18.0 million for the year ended June 30, 2023. The increase was primarily due to an increase in payment for affordable housing project fees paid by the developers in the fiscal year.
- Increase in Investment income of \$16.9 million or 301.9 percent from negative \$5.6 million for the year ended June 30, 2022, to \$11.3 million for the year ended June 30, 2023. The increase was primarily due to the impact of fair value adjustments and the increase in interest rates.
- Decrease in Grants of \$2.5 million or 76.7 percent, from \$3.3 million for the year ended June 30, 2022, to \$0.8 million for the year ended June 30, 2023. The decrease was primarily due to completion of the rehabilitation of Building 101 in December 2022, which was funded by a grant from the EDA.
- Increase in Other of \$6.8 million or 708.4 percent, from \$1.0 million for the year ended June 30, 2022, to \$7.8 million for the year ended June 30, 2023. The increase was primarily due to the recognition of non-cash pension income of \$7.3 million for the current fiscal year.

The Successor Agency's deductions to net position for the year ended June 30, 2023, were \$133.9 million, a decrease of \$11.8 million or 8.1 percent, when compared with \$145.7 million for the prior year. The decrease was primarily due to the following:

- Decrease in Salaries and benefit of \$13.4 million or 67.5 percent, from \$19.8 million for the year ended June 30, 2022, to \$6.4 million for the year ended June 30, 2023. The decrease was primarily due to the impact of recognition of noncash pension expenses of \$12.0 million for prior year.
- Decrease in Administrative and operating of \$0.7 million or 50.0 percent, from \$1.3 million for the year ended June 30, 2022, to \$0.7 million for the year ended June 30, 2023. The decrease was primarily due to an increase in overhead recovery during the current fiscal year.
- Increase in Affordable housing loan program costs of \$19.1 million or 105.8 percent, from \$18.0 million for the year ended June 30, 2022, to \$37.1 million for the year ended June 30, 2023. The increase was primarily due to the increase of loan disbursement for development projects of Mission Bay, Hunters Point Shipyard, and Transbay project areas.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

- Decrease in Contracted services of \$14.1 million or 39.3 percent, from \$35.8 million for the year ended June 30, 2022, to \$21.7 million for the year ended June 30, 2023. The Successor Agency contracts with private developers to build public infrastructure such as streets, sewers, and parks in the project areas. As per development agreements signed with each developer, the developers build public infrastructure, and the Successor Agency reimburses the developer for costs incurred. The decrease in contracted services was primarily due to the following:
 - Decrease in Hunters Point Shipyard / Candlestick Point of \$3.2 million or 52.4 percent, from \$6.2 million for the year ended June 30, 2022, to \$2.9 million for the year ended June 30, 2023, primarily due to completion the wellness center and rehabilitation of Building 101 in December 2022.
 - Decrease in Mission Bay North and South of \$11.2 million or 41.1 percent, from \$27.2 million for the year ended June 30, 2022, to \$16.0 million for the year ended June 30, 2023, primarily due to a decrease in payments made to reimburse the developer for Mission Bay South project area.
 - Increase in Transbay of \$0.3 million or 23.5 percent, from \$1.4 million for the year ended June 30, 2022, to \$1.8 million for the year ended June 30, 2023, due to an increase in the infrastructure planning work of projects in the fiscal year.
- Decrease in Distribution of pledged revenues to TJPA of \$1.0 million or 3.4 percent, from \$28.3 million for the year ended June 30, 2022, to \$27.3 million for the year ended June 30, 2023, due to the decline of property tax generated in the project area and pledged to the TJPA. As per the Tax Increment Allocation and Sales Proceeds Pledge Agreement, tax increment generated by the formerly State-owned parcels in the Transbay Project Area is pledged to the TJPA to finance development of the Transbay Terminal Project.
- Decrease in Interest on debt of \$1.4 million or 3.3 percent, from \$42.0 million for the year ended June 30, 2022, to \$40.6 million for the year ended June 30, 2023. The decrease was primarily due to the decrease in outstanding long-term debt balances following annual scheduled principal payments.

Capital Assets and Debt Administration

Capital Assets

The Successor Agency's capital assets remained at \$4.2 million at June 30, 2023 when compared to June 30, 2022. As of June 30, 2023, the Successor Agency's capital assets included land held for lease, furniture, and equipment. In the fiscal year 2022-23, there were no purchases, sales, or transfers of capital assets.

Long-Debt Debt

As of June 30, 2023, the Successor Agency had outstanding long-term debt of \$874.5 million. Of this amount, \$757 million was tax allocation bonds secured by property taxes generated in the redevelopment project areas and \$8.7 million was hotel occupancy tax revenue bonds secured by hotel occupancy tax revenues.

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Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2023

The breakdown of the long-term debt is as follows (in thousands):

	<u>June 30, 2022</u>	<u>June 30, 2022</u>	<u>\$ Change</u>
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	\$ 757,038	\$ 806,046	\$ (49,008)
Hotel Occupancy Tax Revenue Bonds	<u>8,675</u>	<u>12,540</u>	<u>(3,865)</u>
Subtotal - Bonds Payable	765,713	818,586	(52,873)
Accreted Interest Payable	75,608	80,746	(5,138)
SERAF Borrowing From the Primary Government	-	1,124	(1,124)
Unamortized Premiums and Discounts	<u>33,195</u>	<u>35,366</u>	<u>(2,171)</u>
Total Long-Term Debt	<u>\$ 874,516</u>	<u>\$ 935,822</u>	<u>\$ (61,306)</u>

The Successor Agency's long-term debt decreased by \$61.3 million when compared to the prior fiscal year. This decrease was primarily due to the annual scheduled principal payments of \$52.9 million made on tax allocation and hotel occupancy tax revenue bonds.

California Redevelopment Dissolution Law imposes limitations on the debt the Successor Agency can issue. The Successor Agency may only issue debt to refund outstanding debt, finance affordable housing, and fund public infrastructure.

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding long-term debt as of June 30, 2023:

Credit	Rating	Rating Agency
RPTTF Senior /Cross Collateralized	AA Aa3	Standard and Poor's Moody's Investors Service
RPTTF Subordinate	AA-	Standard and Poor's
RPTTF Third Lien/"SB107"	A	Standard and Poor's
Mission Bay North Infrastructure	A	Standard and Poor's
Mission Bay South Infrastructure	A-	Standard and Poor's
Mission Bay North and South Housing	A	Standard and Poor's
Hotel Occupancy Tax Revenue	AA A1	Standard and Poor's Moody's Investors Service

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of Successor Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Office of Community Investment and Infrastructure, One South Van Ness Avenue 5th Floor, San Francisco, California.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Statement of Fiduciary Net Position

June 30, 2023

(In Thousands)

	Private Purpose Trust Fund	Custodial Fund
Assets		
Unrestricted cash and investments	\$ 185,710	\$ 42,811
Restricted cash and investments with trustees	319,563	28,885
Interest and other receivables	2,642	2,220
Intergovernmental receivables	1,553	-
Notes and mortgages receivable, net of allowance for uncollectible amounts of \$219,449	1,471	-
Other assets	2,131	-
Net OPEB asset	2,118	-
Non-depreciable capital assets	4,152	-
Total assets	519,340	73,916
Deferred outflows of resources		
Unamortized loss on refundings	33,862	-
Pension items	14,513	-
Other Postemployment Benefits (OPEB) items	3,619	-
Total deferred outflows of resources	51,994	-
Liabilities		
Accounts payable	7,095	41
Payable to the City	3,622	-
Accrued interest payable	12,773	-
Developer payable	45,673	-
Other liabilities	1,067	-
Long-term obligations:		
Due within one year	55,455	-
Due in more than one year	821,104	-
Net pension liability	37,328	-
Total liabilities	984,117	41
Deferred inflows of resources		
Pension items	5,095	-
OPEB items	580	-
Total deferred inflows of resources	5,675	-
Net position		
Restricted for enforceable obligations held in trust	(418,458)	-
Restricted for community facility districts	-	73,875
Total net position	\$ (418,458)	\$ 73,875

See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2023

(In Thousands)

	Private Purpose Trust Fund	Custodial Fund
Additions:		
Property tax revenues	\$ 122,603	\$ -
Special tax revenues for community facility district	-	19,920
Developer payments	17,988	-
Charges for services	403	-
Hotel occupancy tax	4,492	-
Investment income	11,280	1,311
Grants	763	-
Other	7,785	970
Total additions	<u>165,314</u>	<u>22,201</u>
Deductions:		
Salaries and benefits	6,429	-
Administrative and operating	653	-
Affordable housing loan program costs	37,135	-
Contracted services	21,713	-
Community based programs	31	-
Distribution of pledged revenue to Transbay Joint Powers Authority	27,324	-
Interest on debt	40,581	-
Distribution for community facility district activities	-	14,685
Other	4	-
Total deductions	<u>133,870</u>	<u>14,685</u>
Change in net position	31,444	7,516
Net position, beginning of year	<u>(449,902)</u>	<u>66,359</u>
Net position, end of year	<u><u>\$ (418,458)</u></u>	<u><u>\$ 73,875</u></u>

See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) General

The Redevelopment Agency of the City and County of San Francisco (Agency) was a public body, corporate and politic, organized and existed under the Community Redevelopment Law of the State of California. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Project Area.”

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted. This legislation is referred to herein as the Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind-down of redevelopment activity. On January 24, 2012, the Board of Supervisors of the City and County of San Francisco (City) elected to become the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) and elected to retain the former Agency’s housing assets and functions, rights, powers, duties and obligations, effective February 1, 2012.

On June 27, 2012, the Dissolution Law was revised pursuant to Assembly Bill 1484 (AB 1484 or Dissolution Law), in which the State clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency with the legal authority to participate in redevelopment activities only to the extent that it is required to complete the work related to an approved enforceable obligation. Therefore, the Successor Agency is a separate public entity from the City, subject to the direction of an Oversight Board. The City remains the Housing Successor Agency. The Oversight Board is comprised of seven-member representatives from local government bodies: four representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; and one appointee each from the San Francisco Community College District, the Bay Area Rapid Transit District, and the San Francisco Unified School District.

On October 2, 2012, the City’s Board of Supervisors created the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure (Commission), as the policy body of the Successor Agency and delegated to it the authority to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations, and the authority to take actions that the Dissolution Law requires or allows on behalf of the Successor Agency. The Commission is comprised of five members appointed by the Mayor and confirmed by the Board of Supervisors, with two of the seats held by residents of the two supervisorial districts with the largest amounts of the Major Approved Development Projects.

In September 2015, the State passed the Senate Bill 107 (Bill). The Bill contained additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill included specific language to the Successor Agency that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund (RPTTF) that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill also declares that the 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.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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). The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual 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 as a fiduciary fund (private-purpose trust fund) of the City.

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 Commission serves as the governing board of the Financing Authority and the Financing Authority provides services entirely to the Successor Agency. A financial benefit or burden relationship exists between the Successor Agency and the Financing Authority and thus the Financing Authority is included as a blended component unit in the Successor Agency's financial statements.

In order to facilitate construction and rehabilitation in the City, seven Community Facility Districts (CFDs) were formed by the former Agency or the Successor Agency. The Successor Agency can impose its will on the CFDs but does not have financial benefit or burden from the CFDs. The assets associated with the CFDs are for the benefit of the CFDs and are not derived from the Successor Agency's provision of services to the CFDs. The CFDs are fiduciary component units of the Successor Agency. The financial activities of the CFDs are included in the Custodial Fund. Custodial funds are fiduciary funds used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private purpose trust funds.

(b) Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

(c) Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

(d) Investments

The Successor Agency's investments are stated at fair value. Fair value has been obtained by using market quotes and reflects the values as if the Successor Agency were to liquidate the securities on that date. The Successor Agency's investments in the City's Treasurer's Pool and money market mutual funds are valued at amortized cost.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

(e) *Restricted Cash and Investments with Fiscal Agents*

Certain proceeds of the former Agency’s and the Successor Agency’s bonds, and resources set aside for their repayment, are classified as restricted assets on the statement of fiduciary net position because they are maintained in separate accounts and their use is limited by applicable bond covenants or for debt service payments.

(f) *Capital Assets*

Capital assets are defined as assets with an initial, individual cost of more than \$5 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of three to twenty years.

(g) *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, 2023, the Successor Agency disbursed \$37,135 to the developers through this arrangement and recorded an allowance against the receivables as they are deemed to be uncollectible. This allowance is recorded as a deduction - affordable housing loan program costs - in the statement of changes in fiduciary net position. At June 30, 2023, the gross value of the notes and mortgages receivable was \$220,920 and the allowance for uncollectible amounts was \$219,449.

(h) *Accrued Vacation and Sick Leave*

It is the Successor Agency’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when earned. For sick leave, all employees are allowed to accumulate up to 1,040 hours (130 days). For vacation, employees are allowed to accumulate up to the limit based on employees’ service years as follows:

<u>Employee Service years</u>	<u>Maximum number of hours</u>
Less than 5 years	320
Between 5 to 15 years	360
More than 15 years	400

(i) *Property Tax Revenues*

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as property tax revenues, are deposited into the Successor Agency’s RPTTF administered by the City’s Controller for the benefit of holders of enforceable obligations and

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any funds from asset sales are distributed by the City’s Controller to the local agencies in the project area.

Distributions are scheduled to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six-month period.

(j) Bond Premium, Discounts, and Loss on Refundings

Premiums and discounts on debt instruments are reported as a component of long-term debt. Loss on refundings is reported as a component of deferred outflows of resources. The premiums and discounts are amortized as a component of the interest expense using the straight-line method over the remaining life of the debt instrument. The loss on refundings are amortized as a component of the interest expense using the straight-line method over the remaining life of the refunding or refunded debt, whichever is shorter.

(k) Pension and Other Postemployment Benefits (OPEB) Plans

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

(l) Deferred Outflows and Inflows of Resources

In addition to assets, the statement of fiduciary net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (deduction) until then. At June 30, 2023, the Successor Agency reported pension items, OPEB items, and loss on refundings as deferred outflows of resources.

In addition to liabilities, the statement of fiduciary net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (addition) until that time. At June 30, 2023, the Successor Agency reported pension items and OPEB items as deferred inflows of resources.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

(m) Effects of New Pronouncements

During the year ended June 30, 2023, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosure. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2023.
- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA 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. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2023.
- In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2023.
- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements related to leases, PPPs, and SBITAs are effective for the Successor Agency's financial statements for the year ended June 30, 2023. Implementation of these requirements did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2023.

The Successor Agency is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for the Successor Agency's financial statements for the year ending June 30, 2024.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

- In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for the Successor Agency’s financial statements for the year ending June 30, 2024.
- In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for the Successor Agency’s financial statements for the year ending June 30, 2025.

(n) Estimates

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

(2) Cash and Investments

As of June 30, 2023, the Successor Agency follows the investment policy of the former Agency, which is governed by and is in compliance with the California Government Code (Code). On August 19, 2014, the Commission adopted an investment policy for the Successor Agency to reflect the use of the City Treasurer’s Pool to manage the Successor Agency’s funds. Investment of bond proceeds is limited to those investments permitted in the bond document or provided in the Code. Investments with trustees are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

At June 30, 2023, total cash and investments are reported as follows:

	Private Purpose Trust Fund	Custodial Fund	Total
Unrestricted cash and investments	\$ 185,710	\$ 42,811	\$ 228,521
Restricted cash and investments with trustees	319,563	28,885	348,448
Total cash and investments	\$ 505,273	\$ 71,696	\$ 576,969

The table on the next page identifies the investment types that are authorized for the Successor Agency by the California Government Code 53601 or the Successor Agency’s investment policy, where the policy is more restrictive. This table does not address investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Successor Agency, rather than the general provisions of the California Government Code or the Successor Agency’s investment policy.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

(Dollars in thousands)

(2) Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 Years	None	None
Federal Agency or U.S. Government Sponsored			
Enterprise Obligations	5 Years	85% *	None
State of California and Local Government Agency Obligations	5 Years	20% *	5% *
Certificates of Deposit	13 months *	None	None
Negotiable Certificates of Deposits	5 Years	30%	None
Bankers' Acceptances	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Medium-Term Notes	2 Years *	15% *	10% *
Repurchase Agreements	92 Days	None	None
Reverse Repurchase Agreements	45 Days *	Not to exceed \$75 million	None
Money Market Funds	N/A	None	None
State of California Local Agency Investment Fund (LAIF)	N/A	None	None
City Treasurer's Pool	N/A	None	None
Supranationals	5 Years	30%	None

* Represents restriction in which the Successor Agency's investment policy is more restrictive than the California Code.

Interest Rate Risk: Refers to the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Refers to the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations.

The following is a summary of cash and investments as of June 30, 2023:

	<u>Weighted Average Maturities for Investments</u>			Total Fair Value	Credit Rating
	<u>Less than 3 months</u>	<u>3 months to 1 year</u>	<u>1 to 5 years</u>		
Unrestricted cash and investments:					
Cash and investments with the City Treasury:					
Investment in the City's Treasurer's Pool	\$ -	\$ -	\$ 228,521	\$ 228,521	Not rated
Restricted cash and investments with trustees:					
U.S. Treasury Notes	-	60,101	-	60,101	AA+
Commercial paper	17,962	-	-	17,962	A-1
Money market mutual funds	270,385	-	-	270,385	AAA
Total restricted cash and Investments with trustees	<u>288,347</u>	<u>60,101</u>	<u>-</u>	<u>348,448</u>	
Total cash and investments	<u>\$ 288,347</u>	<u>\$ 60,101</u>	<u>\$ 228,521</u>	<u>\$ 576,969</u>	

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(2) Cash and Investments (Continued)

Custodial Credit Risk, Investments: Refers to the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the Successor Agency's investment policy do not contain a legal or policy requirement that would limit the exposure to custodial credit risk for investments.

Fair Value Hierarchy

The Successor Agency 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 the 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 inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities. The Successor Agency's investment in U.S. treasury notes and commercial paper are measured using level 2 inputs, while the Successor Agency's investment in the City's Treasurer's Pool and money market mutual funds are exempt from fair value measurement disclosures.

City's Treasurer's Pool

The Successor Agency maintains deposits and investments with the City and County of San Francisco Treasury Pool (Pool). As of June 30, 2023, the Successor Agency's deposits and investments in the Pool is \$228,521 and the total amount invested by all public agencies in the Pool is \$16.0 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 442 days. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2023, the Pool consists of U.S. government and agency securities, public time deposits, negotiable certificates of deposit, commercial paper, supnationals, and money market mutual funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks), and fair value hierarchy for the City's Treasurer's Pool may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

(3) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 4,152	\$ -	\$ -	\$ 4,152
Capital assets being depreciated:				
Furniture and equipment	2,306	-	-	2,306
Less accumulated depreciation for:				
Furniture and equipment	(2,306)	-	-	(2,306)
Total capital assets being depreciated, net	-	-	-	-
Total capital assets, net	<u>\$ 4,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,152</u>

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements

For the Year Ended June 30, 2023

(Dollars in thousands)

(4) Long-Term Obligations

(a) Long-Term Obligations Summary

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Remaining Interest Rates</u>	<u>Balance, June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2023</u>	<u>Due Within One Year</u>
Former Agency Bonds:								
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998C (1)	\$ 12,915	2025	5.40%	\$ 1,074	\$ -	\$ -	\$ 1,074	\$ 551
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.20%	10,418	-	(3,651)	6,767	3,471
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	23,057	-	(2,276)	20,781	2,135
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	93,560	-	(1,265)	92,295	1,795
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2040	7.77% to 8.41%	55,820	-	-	55,820	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2014A (1)	56,245	2044	5.00%	50,645	-	(965)	49,680	1,010
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014B (1)	67,955	2036	3.59% to 4.87%	21,130	-	(1,705)	19,425	1,395
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014C (1)	75,945	2030	5.00%	5,100	-	(2,305)	2,795	415
Tax Allocation Refunding Bonds, Mission Bay North Redevelopment Projects Series 2016A (1)	73,890	2042	5.00%	66,785	-	(1,845)	64,940	1,940
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016B (1)	45,000	2044	5.00%	40,450	-	(1,165)	39,285	1,225
Tax Allocation Refunding Bonds, Mission Bay South Redevelopment Projects Series 2016C (1)	73,230	2042	5.00%	65,665	-	(1,940)	63,725	2,040
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016D (1)	74,652	2044	4.50% to 5.00%	58,652	-	(4,421)	54,231	4,052

(Continued on next page)

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(4) Long-Term Obligations (Continued)

	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Remaining Interest Rates</u>	<u>Balance, June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2023</u>	<u>Due Within One Year</u>
Tax Allocation Revenue Bonds, Affordable Housing Projects Series 2017A (1)	89,765	2045	3.53% to 4.38%	37,895	-	(13,395)	24,500	-
Tax Allocation Revenue Bonds, Transbay Infrastructure Projects Series 2017B (1)	19,850	2047	5.00%	19,850	-	-	19,850	-
Tax Allocation Revenue and Refunding Bonds, Mission Bay New Money and Refunding Housing Project Series 2017C (1)	43,400	2044	3.00% to 4.38%	33,235	-	(1,990)	31,245	2,140
Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017D (1)	116,665	2042	2.50% to 3.75%	77,855	-	(12,085)	65,770	9,880
Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017E (1)	19,745	2042	3.00% to 5.00%	17,645	-	-	17,645	785
Tax Allocation Revenue Bonds, Affordable Housing Projects Series 2021A (1)	127,210	2033	1.01% to 2.74%	127,210	-	-	127,210	630
Agency Revenue Bonds:								
Hotel Tax Revenue Bonds, Series 2011 (2)	43,780	2025	5.00%	12,540	-	(3,865)	8,675	4,220
Subtotal Bonds Payable				<u>818,586</u>	<u>-</u>	<u>(52,873)</u>	<u>765,713</u>	<u>37,684</u>
Unamortized issuance premiums				37,887	-	(2,313)	35,574	-
Unamortized issuance discounts				<u>(2,521)</u>	<u>-</u>	<u>142</u>	<u>(2,379)</u>	<u>-</u>
Subtotal Bonds Payable, including unamortized premium and discounts				853,952	-	(55,044)	798,908	37,684
Accreted interest payable *				80,746	8,653	(13,791)	75,608	15,831
SERAF borrowing from the primary government				1,124	-	(1,124)	-	-
Accrued vacation and sick leave				1,842	940	(739)	2,043	940
Total long-term obligations				<u>\$ 937,664</u>	<u>\$ 9,593</u>	<u>\$ (70,698)</u>	<u>\$ 876,559</u>	<u>\$ 54,455</u>

*Amount represents interest accretion on Capital Appreciation Bonds.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements

For the Year Ended June 30, 2023

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

Debt service payments for long-term obligations are made from the following sources:

- (1) 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.
- (2) Hotel occupancy tax revenues from the occupancy of guest rooms in the hotels within the City.

The proceeds from the issuance of Financing Authority bonds were immediately loaned to the former Agency. Loan payments to the Financing Authority are equal to the debt service requirements of the underlying debt. The bonds are secured by property tax increment revenues. Since the loan transactions are entirely within the financial reporting entity, they have been eliminated in the financial statements.

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.

Events of Default and Acceleration Clause

For the Former Agency Bonds, the Successor Agency is considered to be in default if the Successor Agency fails to pay the due and punctual principal amount, redemption premium, or any installment of interest of any former agency bonds pursuant to the indenture, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise. Upon the occurrence of an event of default, the trustee may, subject to certain provisions of the indenture, pursue any available remedy at law or in equity to enforce the payment of the principal, interest and premium, if any, on the outstanding bonds, and to enforce any rights of the trustee under or with respect to the indenture.

For the Successor Agency Bonds, the Successor Agency is considered to be in default if the Successor Agency fails to pay the due and punctual principal of or interest or redemption premium on any bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise. If an event of default has occurred and is continuing, the trustee may, and if requested in writing by the owners of a majority in aggregate principal amount of the bonds then outstanding, declare the principal of the bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable.

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Notes to Basic Financial Statements

For the Year Ended June 30, 2023

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

For the Hotel Occupancy Tax Revenue Refunding Bonds, the Successor Agency is considered to be in default if the Successor Agency fails to pay the due and punctual principal or redemption price of any bonds, or any installment of interest of any bonds when become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any sinking account of any bonds in the amounts and at the times provided therefor. If an event of default occurs and is continuing, the Successor Agency must immediately transfer to the trustee all revenues held and the trustee must apply all revenues and any other funds then held of thereafter received by the trustee under any of the provisions of the indenture for the payment of the following order: 1) any expenses necessary in the opinion of the trustee to protect the interests of the bondholders, and 2) all installments of interest and unpaid bond obligation or redemption price of any bonds which has become due.

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the property tax revenues. 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 \$1,225,553. The property tax revenues recognized during the year ended June 30, 2023 was \$122,603 as against the total scheduled debt service payment of \$94,525.

The Hotel Occupancy Tax Revenue Refunding Bonds are secured by the pledge and lien of the hotel occupancy tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Occupancy Tax Revenue Refunding Bonds is approximately \$9,332. The hotel occupancy tax revenue recognized during the year ended June 30, 2023 was \$4,492 as against the total scheduled debt service payment of \$4,492.

Supplemental Education Revenue Augmentation Funds Borrowing from the City

During the year ended June 30, 2010, the former Agency borrowed \$16,483 from the City's Low and Moderate Income Housing Fund (LMIHF) as part of the funding to make a payment of \$28,733 to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon the dissolution of the former Agency, the City elected to become the Housing Successor Agency and retain the former Agency's housing assets and functions, rights, powers, duties and obligations. Interest will be accrued quarterly at an annual rate of 3% on the principal balance due to the City in accordance with HSC Section 34191.4(b)(3). During the year ended June 30, 2018, the DOF determined that since the borrowing is not considered an agreement between the former Agency and the City that created the former Agency, the Successor Agency is not authorized to accrue interest on the borrowing. The Successor Agency made payments in the amount of \$1,124 to the City during the year ended June 30, 2023 to fully pay off the outstanding payable balance.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
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Notes to Basic Financial Statements
For the Year Ended June 30, 2023
(Dollars in thousands)

(4) Long-Term Obligations (Continued)

(b) Repayment requirements

As of June 30, 2023, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Occupancy Tax Revenue Refunding Bonds	
	Principal	Interest *	Principal	Interest
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	43,625	31,749	-	-
2029-2033	240,136	135,895	-	-
2034-2038	156,917	92,080	-	-
2039-2043	116,144	42,394	-	-
2044-2047	45,450	7,548	-	-
TOTAL	\$ 757,038	\$ 468,515	\$ 8,675	\$ 657

* Including payment of accreted interest.

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2023.

(5) Pension Plan

(a) General Information about the Pension Plan

Plan Description – Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor agency assumed the former Agency’s Pension Plan. All qualified permanent and probationary employees are eligible to participate in the Successor Agency’s Pension Plan (Pension Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Pension Plan are established by State statute and Successor Agency resolution. CalPERS issues publicly available reports that include a full description of the Pension Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website www.calpers.ca.gov.

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(5) Pension Plan (Continued)

The State of California passed the Public Employees’ Pension Reform Act (PEPRA), which became effective on January 1, 2013. PEPRA changes include the classification of active employees into two distinct classifications: classic members and new members. Classic members represent active members hired before January 1, 2013, and retain the pension plan benefits in effect. New members are active members hired on or after January 1, 2013, and are subject to PEPRA.

Benefits Provided – 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 years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits and new members with five years of total service are eligible to retire at age 52 with reduced benefits. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

The Pension Plan’s provisions and benefits in effect at June 30, 2023 are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	6.92%	7.25%
Required employer contribution rates for normal cost	11.65%	7.65%
Required employer contribution for unfunded liability	\$2,539	\$29

Contributions – The 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 Pension Plan is 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 employees during the year, with an additional amount to finance any unfunded accrued liability. The Successor Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2023, the Successor Agency’s actuarially determined contractually required contribution was \$2,934.

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(5) Pension Plan (Continued)

(b) Net Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

The Successor Agency's net pension liability is measured as the proportionate share of the net pension liability of the cost-sharing plan. The net pension liability is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Successor Agency's proportion of the net pension liability was actuarial determined as of the valuation date. The Successor Agency's proportionate share of the net pension liability for the Pension Plan was 0.32316% or \$37,328, a decrease of 0.08414% and an increase of \$15,300 from the prior year.

For the year ended June 30, 2023, the Successor Agency recognized pension expense (income) of (\$7,327). At June 30, 2023, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,934	\$ -
Difference between expected and actual experience	750	502
Change in assumptions	3,825	-
Net differences between projected and actual earnings on plan investments	6,838	-
Changes in employer's proportion	166	2,848
Differences between the employer's contributions and the employer's proportionate share of contributions	-	1,745
Total	\$ 14,513	\$ 5,095

At June 30, 2023, the Successor Agency reported \$2,934 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension items will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 913
2025	869
2026	520
2027	4,182
Total	\$ 6,484

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(5) Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2021 actuarial valuation, which was rolled forward to June 30, 2022, was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	6.90% Net of Pension Plan Investment Expenses, includes Inflation.
Post Retirement Benefit Increase	The lessor of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.30% thereafter.
Mortality	Derived using CalPERS Membership Data for all Funds. (1)

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on the table, refer to the 2021 CalPERS experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the 2021 CalPERS Experience Study for the period from 2001 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the 2021 CalPERS Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – During measurement period 2022, the discount rate was reduced from 7.15% to 6.90%, inflation rate was reduced from 2.50% to 2.30%, and demographic assumptions were changed in accordance with the 2021 CalPERS Experience Study.

Discount Rate – The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that the 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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Notes to Basic Financial Statements
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(5) Pension Plan (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expense of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class:	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-Weighted	30.0%	4.54%
Global Equity - Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management study.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Successor Agency's proportionate share of the net pension liability of the plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the Successor Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Proportionate Share of Net Pension Liability	\$ 52,513	\$ 37,328	\$ 24,834

Pension Plan Fiduciary Net Position – Detailed information about the Pension Plan's fiduciary net position is available in the separately issued CalPERS financial report that can be found on the CalPERS website.

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(6) Other Postemployment Benefits Plan

(a) General Information about the Pension Plan

Plan Description – 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 service years and minimum age. The Successor Agency participates in the CalPERS California Employers’ Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer OPEB plan administrated by CalPERS, to fund the Successor Agency’s OPEB liability. The CERBT fund financial statements are included in the CalPERS annual comprehensive financial report, which can be found on the CalPERS website www.calpers.ca.gov.

Employees Covered – The following employees were covered by the benefit terms for the OPEB Plan at June 30, 2022, the most recent information available:

Inactive employees or beneficiaries currently receiving benefits	103
Active employees	<u>36</u>
Total	<u><u>139</u></u>

Contributions – The Successor Agency’s OPEB funding policy is to contribute 100 percent or more of the actuarially determined contribution annually by contributing to the CERBT. For the year ended June 30, 2023, the Successor Agency’s contributions totaled \$2,429. There are no employee contributions to the plan.

(b) Net OPEB Liability(Asset), OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

The Successor Agency’s net OPEB liability (asset) is measured as the total OPEB liability, less the OPEB plan’s fiduciary net position. The net OPEB liability (asset) is measured as of June 30, 2022, and the total OPEB liability used to calculation the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

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Notes to Basic Financial Statements

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(6) Other Postemployment Benefits Plan (Continued)

The change in the net OPEB liability (asset) for the Successor Agency's OPEB Plan is as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021	\$ 11,217	\$ 14,740	\$ (3,523)
Changes during the measurement period			
Service cost	314	-	314
Interest on the total OPEB liability	694	-	694
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions from the employer	-	1,689	(1,689)
Net investment income	-	(2,080)	2,080
Administrative expenses	-	(6)	6
Benefit payments	(854)	(854)	-
Net changes during measurement period	154	(1,251)	1,405
Balance at June 30, 2022	<u>\$ 11,371</u>	<u>\$ 13,489</u>	<u>\$ (2,118)</u>

OPEB Expense – For the year ended June 30, 2023, the Successor Agency recognized OPEB expense (income) of (\$291). At June 30, 2023, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 2,429	\$ -
Difference between expected and actual experience	-	501
Change in assumptions	-	79
Net differences between projected and actual earnings on plan investments	1,190	-
Total	<u>\$ 3,619</u>	<u>\$ 580</u>

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(6) Other Postemployment Benefits Plan (Continued)

At June 30, 2023, the Successor Agency reported \$2,429 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction (addition) to net OPEB liability (asset) in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB items will be recognized as OPEB expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (272)
2025	122
2026	150
2027	610
Total	\$ 610

Actuarial Assumptions - A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2021 are as follows:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal cost
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%; Merit based on 2017 CalPERS Experience Study
Healthcare Cost Trend Rate	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.
Mortality and other actuarial assumptions	Derived using CalPERS 2017 Experience Study for the period 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that the Successor Agency’s contribution will be made equal to the actuarially determined contribution. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments is applied to all periods of projected benefit payments to determine the total OPEB liability.

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(6) Other Postemployment Benefits Plan (Continued)

The long-term expected rate of return for OPEB plan investments is 6.25%. Using historical returns of all the asset classes, expected compound geometric returns were calculated using a building-block approach. The long-term expected real rate of return by asset class and the target allocation are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.0%	4.56%
Fixed Income	23.0%	1.56%
REITS	20.0%	4.06%
TIPS	5.0%	-0.08%
Commodities	3.0%	1.22%
Total	100.0%	

Sensitivity of the Net OPEB Liability (Asset) to Changes in Discount Rate – The following presents the Successor Agency’s net OPEB liability (asset) as of the measurement date, calculated using the discount rate of 6.25%, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

Discount Rate	Current Discount Rate	Discount Rate
-1% (5.25%)	(6.25%)	+1% (7.25%)
\$ (957)	\$ (2,118)	\$ (3,100)

Sensitivity of the Net OPEB Liability (Asset) to Changes in Healthcare Cost Trend Rates – The following presents the Successor Agency’s net OPEB liability (asset) as of the measurement date, as well as what the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current rate:

Healthcare Cost Trend Rate -1%	Current Healthcare Cost Trend Rate	Healthcare Cost Trend Rate +1%
\$ (3,269)	\$ (2,118)	\$ (748)

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CalPERS annual comprehensive financial report that can be found on the CalPERS website.

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For the Year Ended June 30, 2023

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(7) Mortgage Revenue Bonds and Other Conduit Debt

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds have been issued by the former Agency and the Successor Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners. At June 30, 2023, the outstanding community district facility bonds totaling \$141.5 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10,000 per occurrence (\$5,000 for employment practices liability) and a \$25 deductible per occurrence. The limit for automobile liability is \$5,000 per occurrence, with a \$25 deductible. The annual aggregate limit for employment practices liability is \$5,000, with a \$25 deductible.

The Successor Agency has been named as defendant in several legal actions. In the opinion of the Successor Agency's management and legal counsel, the outcome of these actions will not have a material adverse effect on the financial position of the Successor Agency.

(b) 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 (Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds 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, 2023, the Successor Agency distributed pledged revenue in the amount of \$27,324 to the TJPA. The payment was recorded as a deduction – distribution of pledged revenue to TJPA on the statement of changes in fiduciary net position.

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(8) Commitments and Contingent Liabilities (Continued)

(c) Encumbrances

The Successor Agency uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executed contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of funds are encumbered to allocate a portion of applicable appropriations. Encumbrances still open at period end are not accounted for as expenses and liabilities. At June 30, 2023, the Successor Agency had outstanding encumbrances totaling \$7,172.

(9) Related Party Transactions

(a) Due to the City and County of San Francisco

At June 30, 2023, the Successor Agency has payables to the City in the amount of \$3,622 for services provided. The balance is recorded as payable to the City on the statement of net position.

(b) Payments to the City and County of San Francisco

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling \$7,477 for the year ended June 30, 2023, have been included in various deduction line items on the statement of changes in fiduciary net position.

(10) Subsequent Event

On September 14, 2023, the Successor Agency issued \$24,505 of Taxable Third Lien Tax Allocation Bonds, Affordable Housing Projects, Series 2023 A (2023 Series A Bonds) and \$35,210 of Third Lien Tax Allocation Bonds, Transbay Infrastructure Projects, Series 2023 B (2023 Series B Bonds). The 2023 Series A Bonds will be used to finance the development and/or construction of affordable housing, bear fixed interest rates ranging from 5.28% to 5.92% and have a final maturity date of August 1, 2041. The 2023 Series B Bonds will be used to finance infrastructure and improvements in the Transbay Project Area, bear fixed interest rates ranging from 5.00% to 5.25% and have a final maturity date of August 1, 2053.

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**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Required Supplementary Information (Unaudited)
Schedule of the Successor Agency's Proportionate Share of the Net Pension Liability
June 30, 2023
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Proportion of net pension liability	0.25504%	0.24131%	0.26905%	0.27508%	0.28203%	0.29084%	0.29667%	0.40730%	0.32316%
Proportionate share of the net pension liability	\$ 15,870	\$ 16,563	\$ 23,281	\$ 27,280	\$ 27,178	\$ 29,803	\$ 32,279	\$ 22,028	\$ 37,328
Covered payroll	\$ 3,962	\$ 3,427	\$ 3,769	\$ 5,042	\$ 5,742	\$ 6,384	\$ 6,745	\$ 7,430	\$ 6,633
Proportionate share of the net pension liability as a percentage of covered payroll	400.56%	483.31%	617.70%	541.06%	473.32%	466.84%	478.56%	296.47%	562.76%
CalPERS Plan's fiduciary net position as a percentage of total pension liability	80.43%	78.40%	74.06%	73.31%	75.26%	75.26%	75.10%	88.29%	76.68%

Notes to Schedule:

Change in benefit terms - The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Change in assumptions - During measurement period 2014, the discount rate was 7.50%. During measurement period 2015, the discount rate was increased from 7.50 percent to 7.65 percent. There was no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the 2017 CalPERS Experience Study. There were no change in assumptions during measurement periods 2019, 2020 and 2021. During measurement period 2022, the discount rate was reduced from 7.15% to 6.90%, inflation rate was reduced from 2.50% to 2.30%, and demographic assumptions were changed in accordance with the 2021 CalPERS Experience Study.

* Fiscal year 2014-15 was the first year of implementation of GASB Statement No. 68, therefore only nine years of information are shown.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension Plan
June 30, 2023
Last 10 Years
(Dollars In Thousands)

Fiscal year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Contractually required contribution (actuarially determined)	\$ 591	\$ 598	\$ 828	\$ 970	\$ 1,283	\$ 1,637	\$ 2,012	\$ 2,299	\$ 2,611	\$ 2,934
Contributions in relation to the actuarially determined contributions	(591)	(598)	(828)	(970)	(1,283)	(1,637)	(2,012)	(2,299)	(2,611)	(2,934)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,962	\$ 3,427	\$ 3,769	\$ 5,042	\$ 5,742	\$ 6,384	\$ 6,745	\$ 7,430	\$ 6,633	\$ 6,405
Contributions as a percentage of covered payroll	14.92%	17.45%	21.97%	19.24%	22.34%	25.64%	29.83%	30.94%	39.36%	45.81%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2022-23 contribution rates are as follows:

Valuation date:	6/30/2020
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets
Inflation	2.50%
Salary Increases	Varies by entry age and services
Payroll Growth	2.75%
Investment Rate of Return	7.00%, net of pension plan investment and administrative expenses, includes inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period 1997 to 2015.
Mortality	

The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates includes 15 years of projected mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Required Supplementary Information (Unaudited)
Schedule of the Changes in the Net OPEB Liability and Related Ratios
June 30, 2022
Last 10 Years *
(Dollars In Thousands)

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Measurement period	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total OPEB liability						
Service cost	\$ 159	\$ 164	\$ 335	\$ 344	\$ 348	\$ 314
Interest on the total OPEB liability	692	701	812	830	831	694
Changes of assumptions	-	1,572	-	(248)	(164)	-
Differences between expected and actual experience	-	267	-	-	(1,337)	-
Benefit payments	(797)	(812)	(906)	(902)	(880)	(854)
Net change in total OPEB liability	54	1,892	241	24	(1,202)	154
Total OPEB liability, beginning	10,208	10,262	12,154	12,395	12,419	11,217
Total OPEB liability, ending	\$ 10,262	\$ 12,154	\$ 12,395	\$ 12,419	\$ 11,217	\$ 11,371
Plan fiduciary net position						
Contributions, employer	\$ 1,097	\$ 2,145	\$ 2,967	\$ 2,901	\$ 2,259	\$ 1,689
Investment income	353	339	407	285	3,039	(2,080)
Benefit payments	(797)	(812)	(906)	(902)	(880)	(854)
Administrative expenses	(3)	(11)	(3)	(7)	(6)	(6)
Net change in plan fiduciary net position	650	1,661	2,465	2,277	4,412	(1,251)
Plan fiduciary net position, beginning	3,275	3,925	5,586	8,051	10,328	14,740
Plan fiduciary net position, ending	\$ 3,925	\$ 5,586	\$ 8,051	\$ 10,328	\$ 14,740	\$ 13,489
Plan net OPEB liability (asset)	\$ 6,337	\$ 6,568	\$ 4,344	\$ 2,091	\$ (3,523)	\$ (2,118)
Plan fiduciary net position as a percentage of the total OPEB liability	38.2%	46.0%	65.0%	83.2%	131.4%	118.6%
Covered-employee payroll	\$ 5,042	\$ 5,742	\$ 6,384	\$ 6,745	\$ 7,430	\$ 6,633
Plan net OPEB liability (asset) as a percentage of covered-employee payroll	125.68%	114.39%	68.05%	31.00%	-47.42%	-31.93%

Note to schedule:

Change in assumptions - During measurement period 2018, the discount rate was decreased from 7.00% to 6.75%. Demographic assumptions were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. Healthcare cost trend rates were also updated. There was no change in assumptions during measurement period 2019. During measurement period 2020, the 2% PPACA excise tax load was removed. During measurement period 2021, the discount rate was decreased from 6.75% to 6.25%, inflation rate was reduced from 2.75% to 2.50%, and salary increases were reduced from 3.00% to 2.75%. Healthcare cost trend rates were also updated. There was no change in assumptions during measurement period 2022.

* Fiscal year 2017-18 was the first year of implementation of GASB Statement No. 75, therefore only six years of information is shown.

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO**
Required Supplementary Information (Unaudited)
Schedule of Contributions - OPEB Plan
June 30, 2023
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Actuarially determined contributions (ADC)	\$ 804	\$ 813	\$ 812	\$ 802	\$ 813	\$ 824	\$ 116
Contributions in relation to the ADC	(1,097)	(2,145)	(2,967)	(2,901)	(2,259)	(1,689)	(2,429)
Contribution deficiency (excess)	<u>\$ (293)</u>	<u>\$ (1,332)</u>	<u>\$ (2,155)</u>	<u>\$ (2,099)</u>	<u>\$ (1,446)</u>	<u>\$ (865)</u>	<u>\$ (2,313)</u>
Covered-employee payroll	\$ 5,042	\$ 5,742	\$ 6,384	\$ 6,745	\$ 7,430	\$ 6,633	\$ 6,405
Contributions as a percentage of covered-employee payroll	21.76%	37.36%	46.48%	43.01%	30.40%	25.46%	37.92%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2022-23 contribution rates are as follows:

Valuation date:	6/30/2021
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets
Inflation	2.50%
Salary Increases	2.75%; Merit based on 2017 CalPERS Experience Study for the period 1997 to 2015.
Healthcare Cost Trend Rate	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.
Investment Rate of Return	6.25%
Mortality	Derived using CalPERS 2017 Experience Study for the period 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020.

* Fiscal year 2017-18 was the first year of implementation of GASB Statement No. 75, therefore only seven years of information is shown.

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Commission on Community Investment and Infrastructure
Successor Agency to the Redevelopment Agency of the
City and County of San Francisco
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the fiduciary activities of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), a component unit of the City and County of San Francisco, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Successor Agency’s basic financial statements, and have issued our report thereon dated November 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Successor Agency’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Successor Agency’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Successor Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Walnut Creek, California
November 22, 2023