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

Annual Financial Report

For the Year Ended June 30, 2018

Certified
Public
Accountants

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

For the Year Ended June 30, 2018

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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 Financial Statements

We have audited the accompanying financial statements 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, 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Macias Gini & O'Connell LLP
101 California Street, Suite 1225
San Francisco, CA 94111

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency as of June 30, 2018, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(m) to the financial statements, effective as of July 1, 2017, the Successor Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and reduced beginning net position by $5,834,000. Our opinion is not modified with respect to this matter.

Other Matters

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, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018 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 the Successor Agency's internal control and compliance.

Macias Gini & O'Connell LLP

San Francisco, California
December 26, 2018

As management of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency), we offer readers of the Successor Agency's basic financial statements this narrative overview and analysis of the financial activities of the Successor Agency for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Successor Agency's financial statements, which follow this section.

Financial Highlights

The Successor Agency's net position at June 30, 2018 was a deficit of $462.8 million when compared to a deficit of $388.8 million at June 30, 2017, an increase in deficit of $73.9 million for fiscal year 2018. The increase in deficit was comprised of a negative change in net position of $68.1 million and a reduction to beginning net position of $5.8 million related to adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), effective July 1, 2017. The fiscal year 2017 financial statements have not been restated for GASB 75.

The Successor Agency's additions for fiscal year 2018 were $231.5 million compared to $189.9 million for fiscal year 2017, an increase of $41.6 million. The increase was mainly due to the increase of $23.3 million for redevelopment property tax and $23.1 million for developer payments. This increase was offset by the decrease in hotel tax of $1.6 million and $6.5 million in other additions.

The Successor Agency's deductions for fiscal year 2018 were $299.7 million compared to $201.7 million for fiscal year 2017, an increase of $97.9 million. The increase was mainly due to the current year intergovernmental transfer of capital and other assets for Yerba Buena Gardens (YBG) to the City and County of San Francisco (City) of $116.7 million, and increase in distribution of pledged revenue to Transbay Joint Power Authority of $8.3 million due to the increase of property value of Transbay Joint Power Authority parcels. This increase was offset by decreases in affordable housing loan program cost of $8.6 million and interest on debt of $5.9 million, and the one-time transfer of land to developer of $10.0 million in fiscal year 2017.

On November 30, 2017, the Successor Agency issued $116.7 million of Tax Allocation Refunding Bonds 2017 Series D to advance refund the remaining balances of the 2009 Series B Bonds, the 2010 Series A Bonds, and the 2011 Series A Bonds in the amount of $10.2 million, $38.0 million, and $20.8 million, respectively, and advance refund a portion of the 2009 Series A Bonds and the 2009 Series E Bonds of $34.3 million and $10.7 million, respectively.

On November 30, 2017, the Successor Agency also issued $19.7 million of Tax Allocation Refunding Bonds Series 2017 E to advance refund the remaining balances of the 2009 Series F Bonds and the 2011 Series B Bonds in the amount of $6.2 million and $16.0 million, respectively.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Successor Agency's basic financial statements. The Successor Agency's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains supplementary information intended to furnish additional detail to support the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

Financial Analysis

The former Redevelopment Agency of the City and County of San Francisco (Agency) and the Successor Agency issue bonds or incur long-term debt to finance its redevelopment projects by pledging future tax increment revenues. 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. Once redevelopment projects that are public facilities are completed by the Successor Agency, the Successor Agency will obtain approval to transfer these assets along with the responsibilities for their continued maintenance and operations to an appropriate public entity such as the City.

Net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018, the Successor Agency has a deficit net position of $462.8 million. 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, 2018**	**June 30, 2017**	**$ Change**
Current and other assets	$ 594,642	$ 609,451	$ (14,809)
Capital assets	39,222	152,462	(113,240)
Total assets	633,864	761,913	(128,049)
Deferred outflows of resources	57,431	34,848	22,583
Liabilities			
Other liabilities	47,813	38,557	9,256
Long-term liabilities	1,099,821	1,140,578	(40,757)
Total Liabilities	1,147,634	1,179,135	(31,501)
Deferred inflows of resources	6,458	6,475	(17)
Total net position held in trust	**$ (462,797)**	**$ (388,849)**	**$ (73,948)**

Assets

The Successor Agency's assets at June 30, 2018 were $ 633.9 million when compared with $761.9 million at June 30, 2017, a decrease of $ 128.0 million for fiscal year 2018 primarily due to the following:

- Decrease in restricted cash and investments with trustees of $28.6 million, from $348.5 million at June 30, 2017 to $319.9 million at June 30, 2018. The decrease was mainly due to usage of refunded bonds' cash and investments with trustees for the refunding during the year.

- Increase in unrestricted cash and investments of $17.6 million, from $245.4 million at June 30, 2017 to $263.0 million at June 30, 2018. The increase was mainly due to the increase of receipt of developer payments for affordable housing projects.

- Decrease in capital assets of $113.2 million, from $152.4 million at June 30, 2017 to $39.2 million at June 30, 2018. The decrease was mainly due to the transfer of YBG properties to the City with book value of $105.6 million and current year depreciation of $5.0 million.

Liabilities

The Successor Agency's liabilities at June 30, 2018 were $1,147.6 million when compared with $1,179.1 million at June 30, 2017, a decrease of $31.5 million for fiscal year 2018 primarily due to the following:

- Increase in accounts payable of $9.5 million, from $18.3 million at June 30, 2017 to $27.8 million at June 30, 2018. The increase was mainly due to timing of the payment for eligible expenditures.

- Decrease in long-term liabilities of $51.1 million, from $1,117.3 million at June 30, 2017 to $1,066.2 million at June 30, 2018. The decrease was primarily due to the annual scheduled principal repayment.

Deferred Outflows and Inflows of Resources

The Successor Agency's deferred outflows of resources at June 30, 2018 were $57.4 million when compared with $34.8 million at June 30, 2017, an increase of $22.6 million for fiscal year 2018. The increase is mainly due to the following:

- Increase in unamortized loss on refundings of $15.8 million due to the loss incurred from the issuance of 2017 Series D and 2017 Series E Bonds.

- Increase in pension items of $3.8 million.

- Increase in Other Postemployment Benefit (OPEB) items of $2.9 million due to the implementation of GASB 75.

The Successor Agency's deferred inflows of resources at June 30, 2018 were $6.5 million, which did not change from June 30, 2017. The balance is related to pension items.

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, 2018

The Successor Agency's net position decreased by $73.9 million for fiscal year 2018, including the impact to the beginning balances of $5.8 million due to the implementation of GASB 75. Key elements of the Successor Agency's additions and deductions are presented below:

Statement of Changes in Fiduciary Net Position
(In thousands)

	Year Ended		
Additions	**June 30, 2018**	**June 30, 2017**	**$ Change**
Redevelopment property tax revenues	$ 152,567	$ 129,233	$ 23,334
Developer payments	53,226	30,129	23,097
Charges for services	17,190	16,338	852
Hotel tax	3,375	4,946	(1,571)
Investment income	4,730	2,286	2,444
Grants	15	-	15
Other	442	6,972	(6,530)
Total additions	231,545	189,904	41,641
Deductions			
Salaries and benefits	10,578	11,969	(1,391)
Operating expenses	991	1,006	(15)
Affordable housing loan program costs	57,406	66,021	(8,615)
Contracted services:			
Hunters Point Shipyard / Candlestick Point	4,101	6,650	(2,549)
Mission Bay North and South	15,183	24,273	(9,090)
Transbay	2,015	3,200	(1,185)
Yerba Buena Center	9,356	4,802	4,554
Other	10,531	6,321	4,210
Community based programs	4,031	4,091	(60)
Distribution of pledged revenue to Transbay Joint Powers Authority	13,701	5,398	8,303
Depreciation	5,044	4,949	95
Interest on debt	47,064	52,947	(5,883)
Transfer of land to developer	-	10,034	(10,034)
Intergovernmental transfer of capital and other assets to the City	116,728	-	116,728
Loss on disposal of capital assets	2,643	-	2,643
Other	287	50	237
Total deductions	299,659	201,711	97,948
Change in net position	(68,114)	(11,807)	(56,307)
Net position, beginning of year, as previously reported	(388,849)	(377,042)	(11,807)
Cumulative effect of change in accounting principle	(5,834)	-	(5,834)
Net position, beginning of year	(394,683)	(377,042)	(17,641)
Net position, end of year	$ (462,797)	$ (388,849)	$ (73,948)

Additions

The Successor Agency's additions to net position increased by $41.6 million, from $189.9 million for fiscal year 2017 to $231.5 million for fiscal year 2018 primarily due to the following:

- Increase in redevelopment property tax revenues of $23.4 million, from $129.2 million for fiscal year 2017 to $152.6 million for fiscal year 2018. The increase was mainly due to the timing of projects, which impacted the pledged property tax revenues received.

- Increase in developer payments of $23.1 million, from $30.1 million for fiscal year 2017 to $53.2 million for fiscal year 2018. The increase was due to the increase of developer contributions for affordable housing projects.

Deductions

The Successor Agency's deductions to net position increased by $98.0 million, from $201.7 million for fiscal year 2017 to $299.7 million for fiscal year 2018 primarily due to the following:

- Decrease in affordable housing loan program costs of $8.6 million, from $66.0 million for fiscal year 2017 to $57.4 million for fiscal year 2018. The increase was mainly due to the timing of housing project predevelopment and construction activities.

- Decrease in contracted services of $4.1 million primarily due to the following:

  - Decrease in Mission Bay North and South Project Area of $9.1 million, from $24.3 million for fiscal year 2017 to $15.2 million for fiscal year 2018.

  - Decrease in Hunter's Point of $2.5 million, from $6.6 million for fiscal year 2017 to $4.1 million for fiscal year 2018.

  - Increase in Yerba Buena Center of $4.6 million, from $4.8 million for fiscal year 2017 to $9.4 million for fiscal year 2018.

  - Increase in Other of $4.2 million from $6.3 million for fiscal year 2017 to $10.5 million for fiscal year 2018.

  The changes were due to the changes in current year's activities in the project areas.

- Increase in the distribution of pledged revenue to Transbay Joint Powers Authority of $8.3 million, from $5.4 million for fiscal year 2017 to $13.7 million in fiscal year 2018. The increase was mainly due to increase in property value of Transbay Joint Powers Authority parcels.

- A one-time transfer of land to developer of $10.0 million during fiscal year 2017 for an affordable housing development project at the Transbay Project Area.

- Intergovernmental transfer of capital and other assets for Yerba Buena Gardens (YBG) to the City and County of San Francisco (City) of $116.7 million during fiscal year 2018 in accordance with the Dissolution Law and the Recognized Obligation Payment Schedules.

Capital Assets and Debt Administration

Capital Assets

As discussed above, at June 30, 2018, the Successor Agency had capital assets of $39.2 million, a decrease of $113.2 million from fiscal year 2017. The decrease was mainly due to the transfer of YBG properties to the City with book value of $105.6 million and current year depreciation of $5.0 million

Long-Debt Debt

At June 30, 2018, the Successor Agency had long-term debt outstanding aggregating to $1,065.3 million, a decrease of $51.3 million from fiscal year 2017. Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2018	June 30, 2017	$ Change
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	$ 920,246	$ 970,381	$ (50,135)
Hotel Tax Revenue Bonds	27,715	30,995	(3,280)
Subtotal - Bonds Payable	947,961	1,001,376	(53,415)
Cal Boating Loans Payable	6,392	6,630	(238)
Accreted Interest Payable	57,709	49,441	8,268
SERAF Borrowing From the Primary Government	8,214	13,149	(4,935)
Unamortized Premiums and Discounts	44,976	45,969	(993)
Total Long-Term Debt	**$ 1,065,252**	**$ 1,116,565**	**$ (51,313)**

During the year, the Successor Agency issued Tax Allocation Refunding Bonds 2017 Series D and 2017 Series E for $116.7 million and $19.7 million, respectively. The decrease of the long-term debt balance was mainly due to annual scheduled principal repayments.

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding tax allocation bonds as of June 30, 2018:

Type of Tax Allocation Bonds	S & P Ratings
Mission Bay South	A-
Mission Bay North	A
Subordinate RPTTF	A+
Cross Collateralizd (Others)	AA-

Revenues and Recognized Obligations Payment Schedule

Pursuant to AB X1 26, the Successor Agency is required to adopt a Recognized Obligation Payments Schedule (ROPS). A ROPS, which lists all enforceable obligations due and payable during a six-month period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund.

The semi-annual Administrative Budget for Successor Agency is presented and approved by the Successor Agency governing board and Successor Agency's Oversight Board, and subsequently approved as part of the ROPS by the California Department of Finance.

Request for Information

This financial report is designed to provide our 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.

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

Statement of Fiduciary Net Position

June 30, 2018

(In Thousands)

Assets		
Unrestricted cash and investments	$	262,963
Restricted cash and investments with trustees		319,895
Interest and other receivables		8,059
Intergovernmental receivables		404
Notes and mortgages receivable (net of allowance for uncollectible amounts of $232,435)		1,554
Other assets		1,767
Capital assets:		
Non-depreciable		18,525
Depreciable, net of accumulated depreciation		20,697
Total assets		633,864
Deferred outflows of resources		
Unamortized loss on refundings		46,774
Pension items		7,725
OPEB items		2,932
Total deferred outflows of resources		57,431
Liabilities		
Accounts payable		27,753
Payable to the City		3,264
Accrued interest payable		15,492
Other liabilities		1,304
Long-term obligations:		
Due within one year		67,561
Due in more than one year		998,643
Net pension liability		27,280
Net OPEB liability		6,337
Total liabilities		1,147,634
Deferred inflows of resources		
Pension items		6,458
Net position held in trust	$	(462,797)

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, 2018

(In Thousands)

Additions:		
Redevelopment property tax revenues	$	152,567
Developer payments		53,226
Charges for services		17,190
Hotel tax		3,375
Investment income		4,730
Grants		15
Other		442
Total additions		231,545
Deductions:		
Salaries and benefits		10,578
Administrative and operating		991
Affordable housing loan program costs		57,406
Contracted services		41,186
Community based programs		4,031
Distribution of pledged revenue to Transbay Joint Powers Authority		13,701
Depreciation		5,044
Interest on debt		47,064
Intergovernmental transfer of capital and other assets to the City		116,728
Loss on disposal of capital assets		2,643
Other		287
Total deductions		299,659
Change in net position		(68,114)
Net position, beginning of year, as previously reported		(388,849)
Cumulative effect of change in accounting principle		(5,834)
Net position, beginning of year, as restated		(394,683)
Net position, end of year	$	(462,797)

See accompanying notes to basic financial statements.

(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), 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. However, 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), which contains 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 includes 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.

(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 installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

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.

(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.

(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.

(Dollars in thousands)

(1) Summary of Significant Accounting Policies (Continued)

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture and Equipment	3-20
Buildings and Improvements	15-40

(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, 2018, the Successor Agency disbursed $57,406 to the developers through this arrangement and recorded an allowance against these receivables as they are deemed to be uncollectible. This allowance is recorded as a deduction - affordable housing loan program costs - in the financial statements. At June 30, 2018, the gross value of the notes and mortgages receivable was $233,989 and the allowance for uncollectible amounts was $232,435.

(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 is 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:

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

(i) Redevelopment 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 redevelopment 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 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 unencumbered redevelopment cash and funds from asset sales are distributed by the City's Controller to the local agencies in the project area.

(1) Summary of Significant Accounting Policies (Continued)

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, discounts, and loss on refundings are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

(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, 2018, 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, 2018, the Successor Agency reported pension items as deferred inflows of resources.

(1) Summary of Significant Accounting Policies (Continued)

(m) Effects of New Pronouncements

During the year ended June 30, 2018, the Successor Agency implemented the following Governmental Accounting Standards Board (GASB) Statements:

- In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. As of July 1, 2017, the Successor Agency restated its net position by $5,834 to record a net OPEB liability of $6,933, record deferred outflows of resources related to OPEB contributions made after the measurement date of $1,097, and remove the net OPEB obligation recorded in accordance with GASB Statement No. 45 of $2.

- In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The statement provides recognition and measurement guidance for situations in which a government is a beneficiary of these agreements. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2018.

- In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of the statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of the statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2018.

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

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2019.

(1) Summary of Significant Accounting Policies (Continued)

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2020.

- In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2021.

- In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2019.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are 1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and 2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2021.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No.14 and No.61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2020.

(n) Estimates

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

(Dollars in thousands)

(2) Cash and Investments

As of June 30, 2018, 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.

The table below 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.

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.

(Dollars in thousands)

(2) Cash and Investments (Continued)

The following is a summary of cash and investments as of June 30, 2018:

	Weighted Average Maturities for Investments				
	Less than 3 months	3 months to 1 year	1 to 5 years	Total Fair Value	Credit Rating
Unrestricted cash and investments:					
Cash and investments with the City Treasury:					
Investment in the City's Treasurer's Pool	$ -	$ -	$ 257,093	$ 257,093	Not rated
Cash deposits in bank				5,870	Not Applicable
Total unrestricted cash and investments	-	-	257,093	262,963	
Restricted cash and investments with trustees:					
Money market mutual funds	319,895	-	-	319,895	Aaam
Total cash and investments	$ 319,895	$ -	$ 257,093	$ 582,858	

Custodial Credit Risk, Deposits: Refers to the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the procession of an outside party. The California Government Code requires California banks and savings and loan associations to secure the Successor Agency's deposits not covered by federal deposit insurance by pledging government securities as collateral. The market value of pledged securities must equal to at least 110% of the Successor Agency's deposits. The Successor Agency does not have any exposure to custodial credit risk for deposits because the collateral is held at the pledging bank's trust department in the Successor Agency's name.

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 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, 2018, the Successor Agency's deposits and investments in the Pool is $257,093 and the total amount invested by all public agencies in the Pool is $10.6 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 1.28 years. 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, 2018, the Pool consists of U.S. government and agency securities, State

(Dollars in thousands)

(2) Cash and Investments (Continued)

and local government agency obligations, negotiable certificates of deposit, medium term notes, commercial paper, supranationals, public time deposits, and money market 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, 2018:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land held for lease	$ 44,735	$ -	$ -	$ (26,210)	$ 18,525
Construction in progress	253	-	-	(253)	-
Total capital assets not being depreciated	44,988	-	-	(26,463)	18,525
Capital assets being depreciated:					
Furniture and equipment	8,144	-	-	(5,560)	2,584
Building and improvements	205,843	-	(3,645)	(163,725)	38,473
Total capital assets being depreciated	213,987	-	(3,645)	(169,285)	41,057
Less accumulated depreciation for:					
Furniture and equipment	(8,113)	(9)	-	5,560	(2,562)
Building and improvements	(98,400)	(5,035)	1,002	84,635	(17,798)
Total accumulated depreciation	(106,513)	(5,044)	1,002	90,195	(20,360)
Total capital assets being depreciated, net	107,474	(5,044)	(2,643)	(79,090)	20,697
Total capital assets, net	$ 152,462	$ (5,044)	$ (2,643)	$ (105,553)	$ 39,222

In accordance with the Dissolution Law and the ROPS, the Successor Agency is required to transfer the Yerba Buena Gardens (YBG) properties to the City at no cost by the end of the year ended June 30, 2018. During June 2018, the Successor Agency agreed to: 1) transfer the YBG properties; 2) transfer the leases and operating agreements related to YBG necessary to continue uninterrupted operations; and 3) funds held in the separate cash account to the City. The transferred assets totaled to $116,728, which is comprised of capital assets with net book value of $105,553 and funds held in the separate cash account of $11,175. The transfer of these assets was recorded as a reduction – intergovernmental transfer of capital and other assets to the City on the statement of changes in fiduciary net position.

(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, 2018:

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, June 30, 2017	Additions	Retirements	Balance, June 30, 2018	Due Within One Year
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	$ -
Tax Allocation Revenue Bonds, San Francisco Redevelopment and Refunding Notes Series 1998D (1)	21,034	2025	5.20%	11,869	-	-	11,869	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003A, B (1)	144,435	2019	5.25% to 5.41%	13,695	-	(7,380)	6,315	6,315
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	31,211	-	(210)	31,001	225
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	105,665	-	(1,890)	103,775	2,515
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	25,225	-	(10,180)	15,045	10,600
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2025	8.00%	42,780	-	(40,805)	1,975	950
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009B (1)	17,625	2018	Not Applicable	11,350	-	(11,350)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2040	6.62% to 8.41%	66,695	-	(10,840)	55,855	15
Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009F (1)	6,610	2018	Not Applicable	6,325	-	(6,325)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2010A (1)	40,055	2018	Not Applicable	38,390	-	(38,390)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011A (1)	22,370	2018	Not Applicable	21,070	-	(21,070)	-	-
Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2011B (1)	16,020	2018	Not Applicable	16,020	-	(16,020)	-	-
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2014A (1)	56,245	2044	5.00%	54,830	-	(755)	54,075	795
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014B (1)	67,955	2036	2.12% to 4.87%	52,780	-	(7,625)	45,155	14,740

(Continued on next page)

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, June 30, 2017	Additions	Retirements	Balance, June 30, 2018	Due Within One Year
(Continued from previous page)								
Successor Agency Bonds:								
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014C (1)	75,945	2030	5.00%	51,615	-	(9,930)	41,685	8,490
Tax Allocation Refunding Bonds, Mission Bay North Redevelopment Projects Series 2016A (1)	73,890	2042	4.00% to 5.00%	73,890	-	(540)	73,350	1,535
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016B (1)	45,000	2044	3.00% to 5.00%	45,000	-	(370)	44,630	990
Tax Allocation Refunding Bonds, Mission Bay South Redevelopment Projects Series 2016C (1)	73,230	2042	3.00% to 5.00%	73,230	-	(630)	72,600	1,640
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016D (1)	74,652	2044	3.00% to 5.00%	74,652	-	-	74,652	-
Tax Allocation Revenue Bonds, Affordable Housing Projects Series 2017A (1)	89,765	2045	2.19% to 4.38%	89,765	-	-	89,765	-
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	1.45% to 4.38%	43,400	-	(2,235)	41,165	3,770
Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017D (1)	116,665	2042	1.63% to 3.75%	-	116,665	-	116,665	7,155
Tax Allocation Revenue Bonds, Redevelopment Projects Series 2017E (1)	19,745	2042	3.00% to 5.00%	-	19,745	-	19,745	560
Former Agency Revenue Bonds:						-		
Hotel Tax Revenue Bonds, Series 2011 (2)	43,780	2025	5.00%	30,995	-	(3,280)	27,715	4,610
Subtotal Bonds Payable				1,001,376	136,410	(189,825)	947,961	64,905
Unamortized issuance premiums				49,655	1,398	(2,988)	48,065	-
Unamortized issuance discounts				(3,686)	(883)	1,480	(3,089)	-
Subtotal Bonds Payable, including unamortized premium and discounts				1,047,345	136,925	(191,333)	992,937	64,905
Accreted interest payable *				49,441	8,268	-	57,709	-
Cal Boating loans payable (3)				6,630	-	(238)	6,392	248
SERAF borrowing from the primary government				13,149	-	(4,935)	8,214	1,773
Accrued vacation and sick leave				730	635	(413)	952	635
Total long-term obligations				$ 1,117,295	$ 145,828	$ (196,919)	$ 1,066,204	$ 67,561

*Amount represents interest accretion on Capital Appreciation Bonds.

(4) Long-Term Obligations (Continued)

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

(1) Redevelopment property tax increment 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 tax revenues from the occupancy of guest rooms in the hotels within the City.
(3) South Beach Harbor Project revenues.

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.

On November 30, 2017, the Successor Agency issued $116,665 of Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017 D (2017 Series D Bonds). Bond proceeds, net of discount of $883, and cash on hand of $16,447 were used to advance refund the remaining balances of the 2009 Series B Bonds, the 2010 Series A Bonds, and the 2011 Series A Bonds in the amount of $10,195, $38,000, and $20,755, respectively, and advance refund a portion of the 2009 Series A Bonds and the 2009 Series E Bonds of $34,345 and $10,680, respectively. The refunding resulted in a net present value savings of $25,345 and an accounting loss of $15,452. The 2017 Series D Bonds bear fixed interest rates ranging from 1.63% to 3.75% and have a final maturity of August 1, 2041. At June 30, 2018, the outstanding defeased 2009 Series A, 2009 Series B, 2009 Series E, 2010 Series A, and Series 2011 A bonds were $34,345, $10,195, $10,680, $38,000, and $20,755, respectively.

On November 30, 2017, the Successor Agency issued $19,745 of Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017 E (2017 Series E Bonds). Bond proceeds, including premium of $1,398, and cash on hand of $4,448 were used to advance refund the remaining balances of the 2009 Series F Bonds and the 2011 Series B Bonds in the amount of $6,225 and $16,020, respectively. The refunding resulted in net present value savings of $5,926 and an accounting loss of $2,821. The 2017 Series D Bonds bear fixed interest rates ranging from 3.00% to 5.00% and have a final maturity of August 1, 2041. At June 30, 2018, the outstanding defeased 2009 Series D Bonds and the 2011 Series B Bonds were $6,225 and $16,020, respectively.

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,556,235. The redevelopment property tax revenues recognized during the year ended June 30, 2018 was approximately $152,567 as against the total scheduled debt service payment of $89,081.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $33,338. The hotel tax revenue recognized during the year ended June 30, 2018 was approximately $3,375 as against the total scheduled debt service payment of $4,830

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. As a result, accrued interest as of June 30, 2017 of $3,162 was written off during the year. The Successor Agency made payments in the amount of $1,773 to the City during the year ended June 30, 2018, and the outstanding payable balance was $8,214.

(b) Repayment requirements

As of June 30, 2018, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

	Tax Allocation Revenue Bonds		Hotel Tax Revenue Bonds		California Deptartment of Boating and Waterway Loan	
June 30,	Principal	Interest *	Principal	Interest	Principal	Interest
2019	$ 60,295	$ 35,871	$ 4,610	$ 1,386	$ 248	$ 288
2020	59,572	36,956	3,365	1,155	259	276
2021	61,482	35,839	3,510	987	271	265
2022	58,881	36,145	3,690	812	283	253
2023	50,188	42,255	3,865	627	296	240
2024-2028	157,262	177,125	8,675	656	1,693	986
2029-2033	154,056	129,775	-	-	2,110	570
2034-2038	156,917	92,080	-	-	1,232	102
2039-2043	116,144	42,394	-	-	-	-
2044-2047	45,449	7,549	-	-	-	-
TOTAL	$ 920,246	$ 635,989	$ 27,715	$ 5,623	$ 6,392	$ 2,980

* Including payment of accreted interest.

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

(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, 2018.

(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.

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, 2018 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	6.896%	6.500%
Required employer contribution rates	49.183%	7.191%

(Dollars in thousands)

(5) Pension Plan (Continued)

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, 2018, the Successor Agency's actuarially determined contractually required contribution was $1,283.

(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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 0.27508% or $27,280, an increase of $3,999 from the prior year.

For the year ended June 30, 2018, the Successor Agency recognized pension expense of $1,424. At June 30, 2018, 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	$ 1,283	$ -
Difference between expected and actual experience	38	539
Change in assumptions	4,672	356
Net differences between projected and actual earnings on plan investments	1,057	-
Changes in employer's proportion	675	2,352
Differences between the employer's contributions and the employer's proportionate share of contributions	-	3,211
Total	$ 7,725	$ 6,458

(Dollars in thousands)

(5) Pension Plan (Continued)

At June 30, 2018, the Successor Agency reported $1,283 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, 2019. 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
2019	$ (1,874)
2020	1,617
2021	868
2022	(627)
Total	$ (16)

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation, which was rolled forward to June 30, 2017, was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.65% Net of Pension Plan Investment Expenses, includes Inflations.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.75% thereafter.
Mortality	Derived using CalPERS Membership Data for all Funds. (1)

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

(Dollars in thousands)

(5) Pension Plan (Continued)

Change of Assumptions – The discount rate reduced from 7.65 percent to 7.15 percent for the June 30, 2016 actuarial valuation.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2016.

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Year 11+ (b)
Global Equity	51.00%	4.90%	5.38%
Global Fixed Income	20.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	10.00%	6.60%	6.63%
Real Estate	10.00%	2.80%	5.21%
Infrastructure and Forestland	2.00%	3.90%	5.36%
Liquidity	1.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.50% used for this period
(b) An expected inflation of 3.00% used for this period

(Dollars in thousands)

(5) Pension Plan (Continued)

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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Decrease Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Decrease Rate + 1% (8.15%)
Proportionate Share of Net Pension Liability	$ 42,681	$ 27,280	$ 14,526

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.

(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 services 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 comprehensive annual 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, 2017, the most recent information available:

Inactive employees or beneficiaries currently receiving benefits	115
Active employees	47
Total	162

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, 2018, the Successor Agency's contributions totaled $2,932. There are no employee contributions to the plan.

(Dollars in thousands)

(6) Other Postemployment Benefits Plan (Continued)

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

Net OPEB Liability – The Successor Agency's net OPEB liability is measured as the total OPEB liability, less the OPEB plan's fiduciary net positon. The net OPEB liability is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017.

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	$ 10,208	$ 3,275	$ 6,933
Changes during the measurement period			
Service cost	159	-	159
Interest on the total OPEB liability	692	-	692
Contributions from the employer	-	1,097	(1,097)
Net investment income	-	353	(353)
Administrative expenses	-	(3)	3
Benefit payments	(797)	(797)	-
Net changes during measurement period	54	650	(596)
Balance at June 30, 2017	$ 10,262	$ 3,925	$ 6,337

OPEB Expense – For the year ended June 30, 2018, the Successor Agency recognized OPEB expense of $501. At June 30, 2018, the Successor Agency reported $2,932 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net OPEB liability in the year ending June 30, 2019.

(Dollars in thousands)

(6) Other Postemployment Benefits Plan (Continued)

Actuarial Assumptions - A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2017 are as follows:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry age normal cost
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00%
Healthcare Cost Trend Rate	4,00%
Payroll Growth	2.75%
Mortality and other actuarial assumptions	Based on CalPERS 2014 experience study report using data for the period from 1997 to 2011

Discount Rate – The discount rate used to measure the total OPEB liability was 7.0%. 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.

The long-term expected rate of return for OPEB plan investments is 7.0%. 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	57.0%	7.795%
Fixed Income	27.0%	4.500%
Real Estate	8.0%	7.795%
Treasury Inflation Protected Securities	5.0%	7.795%
Commodities	3.0%	7.795%
Total	100.0%	

Sensitivity of the Net OPEB Liability to Changes in Discount Rate – The following presents the Successor Agency's net OPEB liability as of the measurement date, calculated using the discount rate of 7.0%, as well as what the net OPEB liability 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 -1% (6.0%)	Current Discount Rate (7.0%)	Discount Rate +1% (8.0%)
$ 7,302	$ 6,337	$ 5,515

(Dollars in thousands)

(6) Other Postemployment Benefits Plan (Continued)

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates – The following presents the Successor Agency's net OPEB liability as of the measurement date, as well as what the net OPEB liability 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%
$ 5,492	$ 6,337	$ 7,311

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

(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. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2018, the Successor Agency had outstanding community district facility bonds totaling $185.6 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 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) Operating Leases

The Successor Agency has entered into operating leases for its office sites and a Master Lease Option Agreement (through the City) with the Port of San Francisco (Port), which contains several lease options for various real property sites located in the Rincon Point South Beach Project Area. As of June 30, 2018, the Successor Agency has exercised several of the lease options.

(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

Total future minimum operating lease payments are as follows:

Year ending June 30:		
2019	$	870
2020		870
2021		870
2022		870
2023		870
2024-2028		4,351
2029-2033		4,351
2034-2038		4,351
2039-2043		4,351
2044-2048		4,351
2049-2051		1,958
	$	28,063

Total rent payments for operating leases totaled $1,452 for the year ended June 30, 2018.

(c) Pending Transfer of Assets and Operations to the Port

A portion of the Rincon Point South Beach Project Area is within the Port Area and the Successor Agency held leasehold interests to certain Port properties. The Successor Agency and the Port have negotiated a memorandum of agreement for the transfer of certain assets and operations of the Rincon Point South Beach Project to the Port. While the agreement has been approved by the Port Commission, the Successor Agency's Commission and Oversight Board, and the DOF before June 30, 2015, the assets and operations were not transferred to the Port as of June 30, 2018.

(d) Transbay Transit Center Agreements

In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement, which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2018, the Successor Agency distributed $13,701 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.

(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

(e) 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, 2018, the Successor Agency had outstanding encumbrances totaling $11,982.

(9) Rental Income

Noncancelable Operating Leases

The Successor Agency has noncancelable operating leases within project areas. The terms of these leases will expire in fiscal year 2050. The Successor Agency also has three noncancelable operating subleases at Pier 40 in the South Beach Harbor project area. The terms of these leases will expire in fiscal year 2023. During the year ended June 30, 2018, the Successor Agency transferred the leases related to YBG to the City as discussed in Note 3 to the financial statements.

The following is a schedule by years of minimum future rental income to be received on the leases (excluding variable rents calculated as a percentage of retail sales) as of June 30, 2018:

Year ending June 30:		
2019	$	592
2020		592
2021		593
2022		630
2023		532
2024-2028		2,658
2029-2033		2,658
2034-2038		2,523
2039-2043		2,470
2044-2048		2,470
2049-2050		988
	$	16,706

For the year ended June 30, 2018, operating lease rental income from noncancelable operating leases was $11,611. Within the operating lease rental income, $6,256 represents contingent rental income received. The lease rental income was recorded as a component of charges for services on the statement of changes in fiduciary net position. At June 30, 2018, the leased assets had a net book value of $27,180.

(10) Related Party Transactions

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

At June 30, 2018, the Successor Agency has payables to the City in the amount of $1,669 for services provided and $1,595 for the remaining funds held in the separate cash account for the YBG transfer. 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 $20,636 for the year ended June 30, 2018, have been included in various deduction line items on the statement of changes in fiduciary net position.

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, 2018
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2014-15	2015-16	2016-17	2017-18
Measurement period	2013-14	2014-15	2015-16	2016-17
Proportion of net pension liability	0.25504%	0.24131%	0.26905%	0.27508%
Proportionate share of the net pension liability	$ 15,870	$ 16,563	$ 23,281	$ 27,280
Covered payroll	$ 3,962	$ 3,427	$ 3,769	$ 5,042
Proportionate share of the net pension liability as a percentage of covered payroll	400.56%	483.31%	617.70%	541.06%
CalPERS Miscellaneous Plan's fiduciary net position as a percentage of total pension liability	80.43%	78.40%	74.06%	73.31%

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, 2016 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% to 7.65%. There is no change in discount rate during measurement period 2016. During measurement period 2017, the discount rate was reduced from 7.65% to 7.15%.

* Fiscal year 2014-15 was the first year of implementation of GASB Statement No. 68, therefore only four 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, 2018
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2013-14	2014-15	2015-16	2016-17	2017-18
Contractually required contribution (actuarially determined)	$ 591	$ 598	$ 828	$ 970	$ 1,283
Contributions in relation to the actuarially determined contributions	(591)	(598)	(828)	(970)	(1,283)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,962	$ 3,427	$ 3,769	$ 5,042	$ 5,742
Contributions as a percentage of covered payroll	14.92%	17.45%	21.97%	19.24%	22.34%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2017-18 contribution rates are as follows:

Valuation date:	6/30/2015
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets
Inflation	2.75%
Salary Increases	Varies by entry age and services
Payroll Growth	3.00%
Investment Rate of Return	7.50%, net of pension plan investment and administrative expenses, includes inflation.
Retirement Age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year 2014-15 was the first year of implementation of GASB Statement No. 68, therefore only five 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 the Changes in the Net OPEB Liability and Related Ratios
June 30, 2018
Last 10 Years *
(Dollars In Thousands)

Fiscal Year		2017-18
Measurement period		2016-17
Total OPEB liability		
Service cost	$	159
Interest on the total OPEB liability		692
Benefit payments		(797)
Net change in total OPEB liability		54
Total OPEB liability, beginning		10,208
Total OPEB liability, ending	**$**	**10,262**
Plan fiduciary net position		
Contributions, employer	$	1,097
Investment income		353
Benefit payments		(797)
Administrative expenses		(3)
Net change in plan fiduciary net position		650
Plan fiduciary net position, beginning		3,275
Plan fiduciary net position, ending	**$**	**3,925**
Plan OPEB pension liability	**$**	**6,337**
Plan fiduciary net position as a percentage of the total OPEB liability		**38.2%**
Covered-employee payroll	**$**	**5,042**
Plan net OPEB liability as a percentage of covered-employee payroll		**125.68%**

* Fiscal year 2017-18 was the first year of implementation of GASB Statement No. 75, therefore only one year 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, 2018
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2016-17	2017-18
Actuarially determined contributions (ADC)	$ 804	$ 813
Contributions in relation to the ADC	(1,097)	(2,932)
Contribution deficiency (excess)	$ (293)	$ (2,119)
Covered-employee payroll	$ 5,042	$ 5,742
Contributions as a percentage of covered-employee payroll	21.76%	51.06%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2017-18 contribution rates are as follows:

Valuation date:	6/30/2017
Actuarial Cost Method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets
Inflation	2.75%
Salary Increases	3.00%
Payroll Growth	2.75%
Healthcare Cost Trend Rate	4.00%
Investment Rate of Return	7.00%
Mortality	Based on CalPERS 2014 experience study report using data for the period from 1997 to 2011

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

Certified
Public
Accountants

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, the financial statements 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, 2018, 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 December 26, 2018. Our report included an emphasis of matter related to the Successor Agency's adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017.

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) to determine the 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 may exist that have not been identified.

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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 determination of financial statement amounts. 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.

Macias Gini & O'Connell LLP

San Francisco, California
December 26, 2018