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

Annual Financial Report

For the Year Ended June 30, 2019

mgo | Certified Public Accountants

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

For the Year Ended June 30, 2019

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MGO Certified Public Accountants

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, 2019, 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
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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, 2019, 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.

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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 9, 2019 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 9, 2019

The Management's Discussion and Analysis presents a narrative overview and analysis of the financial activities of the Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) for fiscal year ended June 30, 2019 (fiscal year 2018-19). We encourage readers to consider the information presented here in conjunction with the Successor Agency's basic financial statements, which follow this section.

As per California Redevelopment Dissolution law, the Successor Agency is the successor to the former Redevelopment Agency of the City and County of San Francisco (Redevelopment Agency). The Successor Agency has assumed the financial obligations of the former Redevelopment Agency and is tasked with completing the redevelopment activities of the former Redevelopment Agency, as they existed at the time of Dissolution, February 1, 2012, and as approved as final and conclusive obligations by the California Department of Finance.

Financial Highlights

The Successor Agency's net position was a deficit of $471.0 million at the end of fiscal year 2018-19. This was a net increase in deficit of $8.2 million or 2% compared to $462.8 million for the prior fiscal year. The largest portion of the Successor Agency's liabilities was long-term obligations of $1.0 billion, which is primarily composed of long-term obligations including tax allocation bonds issued to directly fund or reimburse private developers for construction of public infrastructure, or to directly fund construction of affordable housing. As the Successor Agency pays annual debt service with revenues, the net deficit is expected to decrease.

The Successor Agency's additions for fiscal year 2018-19 were $193.6 million, a decrease of $37.9 million or 16 % compared to $231.5 million in the prior fiscal year. The decrease was mainly due to the decrease of $45.1 million for Developer payments and the decrease of $11.6 million for Charges for services. The decrease in Developer payments was primarily due to a decrease in developer contributions for Transbay affordable housing projects. Developers of office projects in Transbay paid a Job-Housing Linkage Fee to fund affordable housing in Transbay and offset the effect of more jobs in project area. The magnitude of fees received by the Successor Agency is driven by the pace of development in the project area. The decrease in Charges for services was primarily related to the transfer of Yerba Buena Gardens (YBG) to the City and County of San Francisco (City) in the prior fiscal year. Prior to the transfer of YBG, the Successor Agency received rent and other payments generated by the YBG assets. As the YBG assets were transferred in fiscal year 2017-18, the Successor Agency no longer receives these Charges for services.

The Successor Agency's deductions for fiscal year 2018-19 were $201.8 million, a decrease of $97.9 million or 33% compared to $299.7 million in the prior fiscal year. The decrease was mainly due to a decrease of $98.4 million in Intergovernmental transfer of capital and other assets to the City. The decrease was due to the difference in the magnitude of assets transferred to the City in fiscal year 2018-19 versus the prior fiscal year. In fiscal year 2017-18, the Successor Agency transferred YBG with net book value of $116.7 million to the City. In fiscal year 2018-19, the Successor Agency transferred South Beach Harbor with net book value of $18.3 million to the City.

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

Budgetary Control

The former Redevelopment Agency of the City and County of San Francisco and the Successor Agency issue bonds or incur long-term debt pledged against future tax increment to finance redevelopment projects. The Successor Agency's assets can only be used to pay enforceable obligations in existence at the time of Dissolution, including the completion of any unfinished projects that were subject to legally enforceable contractual commitments. California Redevelopment Dissolution Law requires that the Successor Agency transfer completed projects for their continued maintenance and operations. The Successor Agency will transfer completed public facilities such as parks, streets, and affordable housing to an appropriate public entity such as the City.

Pursuant to California Redevelopment Dissolution Law, the Successor Agency is required to adopt an annual Recognized Obligation Payments Schedule (ROPS). The ROPS lists all enforceable obligations due and payable during the fiscal year. The ROPS also identifies enforceable obligations to be funded with tax increment and is the basis for the City Controller's distribution of tax increment from the Redevelopment Property Tax Trust Fund. Additionally, the ROPS contains the Successor Agency's administrative budget. The ROPS is presented to and approved by the Successor Agency's Oversight Board (Oversight Board). Following Oversight Board approval, the ROPS is submitted and approved by the California Department of Finance.

California Redevelopment Dissolution Law requires the Successor Agency to submit a Prior Period Adjustment form to demonstrate compliance with the ROPS. California Redevelopment Dissolution Law also requires the City's Controller to review and approve the Prior Period Adjustment form and submit the form to the Department of Finance by February 2 of each year. On January 23, 2019, the City's Controller confirmed that the Successor Agency's fiscal year 2016-17 expenditures were compliant with the 2016-17 ROPS. The Controller will evaluate fiscal years 2017-18 and 2018-19 expenditures by February 2020 and 2021, respectively.

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

Analysis of Change Net Position

The Successor Agency's total net position, which may serve as a useful indicator of the Successor Agency's financial position, was a deficit of $471.0 million at the end of fiscal year 2018-19. 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, 2019**	**June 30, 2018**	**$ Change**
Restricted cash and investments with trustees	$ 293,497	$ 319,895	(26,398)
Cash and investments with City Treasury	286,681	262,963	23,718
Other assets	10,953	11,784	(831)
Capital assets	18,538	39,222	(20,684)
Total assets	609,669	633,864	(24,195)
Deferred outflows of resources	54,981	57,431	(2,450)
Liabilities			
Accounts payable and other liabilities	44,353	44,549	(196)
Payable to the City	1,648	3,264	(1,616)
Developer payable	51,555	-	51,555
Long-term obligation	999,653	1,066,204	(66,551)
Net pension and OPEB liabilities	33,746	33,617	129
Total liabilities	1,130,955	1,147,634	(16,679)
Deferred inflows of resources	4,666	6,458	(1,792)
Total net position held in trust	**$ (470,971)**	**$ (462,797)**	**$ (8,174)**

Assets

The Successor Agency's assets at June 30, 2019 were $ 609.7 million, a decrease of $24.2 million or 4%, when compared with $633.9 million the prior fiscal year. The decrease was primarily due to the following:

- Decrease in Restricted cash and investments with trustees of $26.4 million or 8%, from $319.9 million at June 30, 2018 to $293.5 million at June 30, 2019. The Restricted cash and investments with trustees was primarily composed of bond proceeds issued by the Successor Agency to fund public infrastructure and affordable housing and held in trust as required by the bond documents. The decrease was mainly due to usage of the bond proceeds to reimburse developers for construction of public infrastructure, to directly fund public infrastructure, and to fund affordable housing construction.

- Increase in Cash and investments with City Treasury of $23.7 million or 8%, from $263.0 million at June 30, 2018 to $286.7 million at June 30, 2019. The Cash and investments with City Treasury was primarily composed of property tax revenue generated in Mission Bay South that is pledged to fund public infrastructure and affordable housing in the project area.

- Decrease in Capital assets of $20.7 million or 53%, from $39.2 million at June 30, 2018 to $18.5 million at June 30, 2019. The decrease was mainly due to the transfer of South Beach Harbor assets with book value of $20.0 million to the City. In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor to the City at no cost in April 2019. The transfer consisted of South Beach Harbor and related properties, leases and operating agreements necessary for ongoing operations, and cash held in a separate account for the Harbor.

Liabilities

The Successor Agency's liabilities at June 30, 2019 were $1.1 billion, a decrease of $16.7 million or 1% when compared to the prior fiscal year. The decrease was primarily due to the following:

- Increase in Developer payable of $51.6 million or 100%, from $0.0 million at June 30, 2018 to $51.6 million at June 30, 2019. The increase was mainly due to timing of the Hunter's Point Shipyard / Candlestick Point developer's one-time reimbursement request of $51.6 million in pre-development costs incurred per the project's Development and Disposition Agreement.

- Decrease in Long-term obligations of $66.6 million or 6%, from $1.1 billion at June 30, 2018 to $1.0 billion at June 30, 2019. The decrease was primarily due to the annual scheduled principal payment for tax allocation bonds issued by the Successor Agency in prior fiscal years.

Deferred Outflows and Inflows of Resources

The Successor Agency's deferred outflows of resources at June 30, 2019 were $55.0 million, a decrease of $2.5 million or 4% when compared with $57.4 million at June 30, 2018. The decrease was primarily due to a $2.7 million decrease in unamortized loss on refundings incurred during the fiscal year, a $1.0 million decrease in pension items, offset by a $1.3 million increase in OPEB items.

The Successor Agency's deferred inflows of resources at June 30, 2019 were $4.7 million, a decrease of $1.8 million or 28% when compared with $6.5 million at June 30, 2018. The decrease was mainly due to related to a $1.8 million decrease in pension items.

The Successor Agency's net position decreased by $8.2 million for fiscal year 2018-19. 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, 2019**	**June 30, 2018**	**$ Change**
Property tax revenues	$ 158,635	$ 152,567	$ 6,068
Developer payments	8,135	53,226	(45,091)
Charges for services	5,582	17,190	(11,608)
Hotel occupancy tax	5,995	3,375	2,620
Investment income	13,603	4,730	8,873
Grants	26	15	11
Other	1,640	442	1,198
Total additions	193,616	231,545	(37,929)
Deductions			
Salaries and benefits	10,793	10,578	215
Operating expenses	863	991	(128)
Affordable housing loan program costs	32,558	57,406	(24,848)
Contracted services:			
Hunters Point Shipyard / Candlestick Point	54,190	4,101	50,089
Mission Bay North and South	19,478	15,183	4,295
Transbay	1,843	2,015	(172)
Yerba Buena Center	-	9,356	(9,356)
Other	4,622	10,531	(5,909)
Community based programs	-	4,031	(4,031)
Distribution of pledged revenue to Transbay Joint Powers Authority	12,458	13,701	(1,243)
Depreciation	718	5,044	(4,326)
Interest on debt	45,916	47,064	(1,148)
Intergovernmental transfer of capital and other assets to the City	18,340	116,728	(98,388)
Loss on disposal of capital assets	-	2,643	(2,643)
Other	11	287	(276)
Total deductions	201,790	299,659	(97,869)
Change in net position	(8,174)	(68,114)	59,940
Net position, beginning of year	(462,797)	(394,683)	(68,114)
Net position, end of year	$ (470,971)	$ (462,797)	$ (8,174)

Additions

The Successor Agency's additions to net position at June 30, 2019 were $193.6 million, a decrease of $37.9 million or 16 %, when compared with $231.5 million the prior year. The decrease was primarily due to the following:

- Increase in Property tax revenue of $6.1 million or 4%, from $152.6 million as of June 30, 2018 to $158.6 million as of June 30, 2019. The increase was mainly due to the timing of projects, which impacted the pledged property tax revenues earned.

- Decrease in Developer payments of $45.1 million or 85%, from $53.2 million as of June 30, 2018 to $8.1 million as of June 30, 2019. The decrease was primarily due to a decrease in developer contributions for Transbay affordable housing projects. Developers of office projects in Transbay pay a Job-Housing Linkage Fee to fund affordable housing in Transbay and offset the effect of more jobs in project area. In fiscal year 2018-19, the Successor Agency received fewer fees than in the prior fiscal year. The magnitude of fees received by the Successor Agency is driven by the pace of development in the project area.

- Decrease in Charges for Services of $11.6 million or 68%, from $17.2 million as of June 30, 2018 to $5.6 million as of June 30, 2019. The decrease in Charges for services is primarily related to the transfer of YBG to the City in the prior fiscal year. Prior to the transfer of YBG, the Successor Agency received rent and other payments generated by the YBG asset. As the YBG asset was transferred in fiscal year 2017-18, the Successor Agency no longer receives these Charges for services.

- Increase in Hotel occupancy tax of $2.6 million or 78%, from $3.4 million as of June 30, 2018 to $6.0 million as of June 30, 2019. In fiscal year 2010-11, the former Redevelopment Agency issued Hotel Occupancy Tax Refunding Bonds, Series 2011 on the behalf of the City to refund revenue bonds originally issued by the former Redevelopment Agency. The 2011 Hotel Occupancy Tax Refunding Bonds were issued against the City's hotel occupancy tax. Therefore, each year the City transfers to the Successor Agency hotel occupancy tax equal to the amount of the annual debt service payment. The increase in hotel occupancy tax in fiscal year 2018-19 was due to higher debt service than the prior fiscal year, as per the bond's debt service schedule.

- Increase in Investment income of $8.9 million or 188%, from $4.7 million as of June 30, 2018 to $13.6 million as of June 30, 2019. The increase was primarily due to higher investment returns on Successor Agency funds deposited into the City Treasurer's Pool and managed by the City's Treasurer Tax Collector, as per the Successor Agency's investment policy. The higher investment returns were due to the rise, during the fiscal year, in market interest rates generally and, more specifically, the increase of the Earned Income Yield of the City and County of San Francisco's Pooled Fund, which rose from 1.63% for the fiscal year 2017-18 to 2.32% for the fiscal year 2018-19. The remaining change is due to change in the fair market value of the Successor Agency funds deposited into the City Treasurer's Pool.

- Increase in Other of $1.2 million or 271%, from $0.4 million as of June 30, 2018 to $1.6 million as of June 30, 2019. The increase was primarily due to the receipt of repayment of affordable housing loans of $1.0 million.

Deductions

The Successor Agency's deductions to net position were $201.8 million as of June 30, 2019, a decrease of $97.9 million or 33%, when compared with $299.7 million the prior year. The decrease was primarily due to the following:

- Decrease in Affordable housing loan program costs of $24.8 million or 43%, from $57.4 million as of June 30, 2018 to $32.6 million as of June 30, 2019. The Successor Agency makes pre-development and construction loans to non-profit housing developers to fund affordable housing. Developers draw down on these loans over five to six years, depending on the project. The decrease in Affordable housing loan program costs is primarily due to a reduction in the draws on these loans. The pace at which housing loans are drawn down depends on the timing and financial needs of the individual affordable housing projects funded.

- Increase in Contracted services of $38.9 million or 95% from $41.2 million as of June 30, 2018 to $80.1 million as of June 30, 2019. The Successor Agency contracts with private developers to build public infrastructure such as streets, sewers, and parks in the project areas. As per development agreements signed with each developer, the developers build public infrastructure and the Successor Agency reimburses the developer for costs incurred. The increase in Contracted services was primarily due to the following:

    - Increase in Hunter's Point Shipyard / Candlestick Point of $50.1 million or 1,221%, from $4.1 million as of June 30, 2018 to $54.2 million as of June 30, 2019 due to timing of the Hunter's Point Shipyard / Candlestick Point developer's one-time reimbursement request of $51.6 million in pre-development costs incurred per the project's Development and Disposition Agreement.

    - Increase in Mission Bay North and South of $4.3 million or 28%, from $15.2 million as of June 30, 2018 to $19.5 million as of June 30, 2019 due to project timing.

    - Decrease in Transbay of $0.2 million or 9%, from $2.0 million as of June 30, 2018 to $1.8 million as of June 30, 2019 due to project timing.

    - Decrease in Yerba Buena Center of $9.4 million or 100%, from $9.4 million as of June 30, 2018 to $0.0 million as of June 30, 2019. The decrease was due to the transfer of YBG to the City in fiscal year 2017-18.

    - Decrease in Other of $5.9 million or 56%, from $10.5 million at June 30, 2018 to $4.6 million at June 30, 2019. The decrease was due to prior year payment to the City for elevator repairs.

- Decrease in Community based programs of $4.0 million or 100 %, from $4.0 million as of June 30, 2018 to $0.0 million at June 30, 2019. The decrease was primarily due to the transfer of YBG to the City in fiscal year 2017-18. The Successor Agency administered a number of community based programs, such as support for the Museum of the African Diaspora, at YBG. Following the transfer of YBG, the Successor Agency no longer makes these expenditures. The Successor Agency has committed to support Community based programs in the Hunters Point Shipyard / Candlestick Point. Therefore, expenditure on Community based programs is expected to increase in future years.

- Decrease in Distribution of pledged revenue to Transbay Joint Powers Authority (TJPA) of $1.2 million or 9%, from $13.7 million as of June 30, 2018 to $12.5 million as of June 30, 2019. As per the Transbay

Redevelopment Project Tax Increment Allocation and Sales Proceeds Agreement, property tax generated by the formerly State-owned parcels in the Transbay Project Area is pledged to reimburse the TJPA for the cost of constructing the Transbay Transit Center. In fiscal year 2018-19, tax increment in formerly State-owned parcels increased. This growth, however, was offset by a deduction to correct an over distribution of property tax in prior years, resulting in a net decrease in the distribution.

- Decrease in Depreciation of $4.3 million or 86%, from $5.0 million as of June 30, 2018 to $0.7 million as of June 30, 2019. The decrease was driven by the transfer of YBG, including depreciable capital assets, to the City in the prior fiscal year.

- Decrease in Interest on debt of $1.1 million or 2%, from $47.0 million as of June 30, 2018 to $45.9 million as of June 30, 2019. The decrease was due primarily to lower outstanding principal for long-term debt following the Successor Agency's fiscal year 2018-19 debt service payments.

- Decrease in Intergovernmental transfer of capital and other assets to the City of $98.4 or 84%, from $116.7 million as of June 30, 2018 to $18.3 million as of June 30, 2019. The decrease was due to the difference in the magnitude of assets transferred to the City in fiscal year 2018-19 versus the prior fiscal year. In fiscal year 2017-18, the Successor Agency transferred YBG, with net book value of $116.7 million, to the City. In fiscal year 2018-19, the Successor Agency transferred South Beach Harbor with net book value of $18.3 million, to the City.

- Decrease in Loss on disposal of capital assets of $2.6 million or 100%, from $2.6 million as of June 30, 2018 to $0.0 million as of June 30, 2019. The decrease in Loss on disposal was due to lack of assets disposal in the current year.

Capital Assets and Debt Administration

Capital Assets

The Successor Agency's capital assets were $18.5 million at June 30, 2019, a decrease of $20.7 million or 53% from $39.2 million the prior fiscal year. At June 30, 2019, capital assets include land held for lease and furniture and equipment.

The decrease was due primarily to the transfer of South Beach Harbor with book value of $20.0 million to the City. The Successor Agency transferred South Beach Harbor to the City at no cost in April 2019 in accordance with California Redevelopment Dissolution Law. The transfer consisted of South Beach Harbor and related properties, leases and operating agreements necessary for ongoing operations, and cash held in a separate account for the Harbor.

Long-Debt Debt

At June 30, 2019, the Successor Agency had long-term debt outstanding of $998.5 million. Of this amount, $860.0 million was Tax Allocation Bonds secured by property taxes generated in the redevelopment project areas and $23.1 million was Hotel Occupancy Tax Revenue Refunding Bonds secured by occupancy tax revenues from the occupancy of guest rooms in the hotels within the City.

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

	June 30, 2019	June 30, 2018	$ Change
Long-Term Debt			
Bonds Payable			
Tax Allocation Bonds	$ 859,951	$ 920,246	$ (60,295)
Hotel Occupancy Tax Revenue Refunding Bonds	23,105	27,715	(4,610)
Subtotal - Bonds Payable	883,056	947,961	(64,905)
Cal Boating Loans Payable	-	6,392	(6,392)
Accreted Interest Payable	66,432	57,709	8,723
SERAF Borrowing From the Primary Government	6,441	8,214	(1,773)
Unamortized Premiums and Discounts	42,575	44,976	(2,401)
Total Long-Term Debt	**$ 998,504**	**$ 1,065,252**	**$ (66,748)**

The Successor Agency's long-term debt was $998.5 million at June 30, 2019, a $66.8 million or 6% decrease from $1,065.3 million at June 30, 2018. This decrease was primarily due to scheduled debt service payments made on tax allocation and Hotel Occupancy Tax Revenue refunding bonds and the transfer of the Cal Boating Loans Payable of $6.1 million to the City as part of the transfer of South Beach Harbor.

California Redevelopment Dissolution Law imposes limitations on the debt the Successor Agency can issue. The Successor Agency may only issue debt to refund outstanding debt and to finance the construction of affordable housing and infrastructure required by specified agreements.

Bond Ratings

The table below shows the ratings for the Successor Agency's outstanding long-term debt as of June 30, 2019:

Credit	Rating	Rating Agency
Tax Allocation Bonds		
RPTTF Senior /Cross Collateralized	AA	Standard and Poor's
RPTTF Subordinate	AA-	Standard and Poor's
RPTTF Third Lien/"SB107"	A	Standard and Poor's
Mission Bay North Infrastructure	A	Standard and Poor's
Mission Bay South Infrastructure	A-	Standard and Poor's
Mission Bay North and South Housing	A	Standard and Poor's
Other		
Hotel Occupancy Tax Revenue	A+	Standard and Poor's

Moody's Investors Service upgraded the rating on the RPTTF Senior/Cross Collateralized credit to Aa3 from A2 due to Moody's revised Tax Increment Debt Methodology.

Request for Information

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

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

Statement of Fiduciary Net Position

June 30, 2019

(In Thousands)

Assets		
Unrestricted cash and investments	$	286,681
Restricted cash and investments with trustees		293,497
Interest and other receivables		7,226
Intergovernmental receivables		404
Notes and mortgages receivable (net of allowance for uncollectible amounts of $252,598)		1,499
Other assets		1,824
Capital assets:		
Non-depreciable		18,525
Depreciable, net of accumulated depreciation		13
Total assets		609,669
Deferred outflows of resources		
Unamortized loss on refundings		44,090
Pension items		6,678
Other Postemployment Benefits (OPEB) items		4,213
Total deferred outflows of resources		54,981
Liabilities		
Accounts payable		28,968
Payable to the City		1,648
Accrued interest payable		14,521
Developer payable		51,555
Other liabilities		864
Long-term obligations:		
Due within one year		68,595
Due in more than one year		931,058
Net pension liability		27,178
Net OPEB liability		6,568
Total liabilities		1,130,955
Deferred inflows of resources		
Pension items		4,652
OPEB items		14
Total deferred outflows of resources		4,666
Net position held in trust	$	(470,971)

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, 2019

(In Thousands)

Additions:		
Property tax revenues	$	158,635
Developer payments		8,135
Charges for services		5,582
Hotel occupancy tax		5,995
Investment income		13,603
Grants		26
Other		1,640
Total additions		193,616
Deductions:		
Salaries and benefits		10,793
Administrative and operating		863
Affordable housing loan program costs		32,558
Contracted services		80,133
Distribution of pledged revenue to Transbay Joint Powers Authority		12,458
Depreciation		718
Interest on debt		45,916
Intergovernmental transfer of capital and other assets to the City		18,340
Other		11
Total deductions		201,790
Change in net position		(8,174)
Net position, beginning of year		(462,797)
Net position, end of year	$	(470,971)

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

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

In September 2015, the State passed the Senate Bill 107 (Bill). The Bill contained additional provisions and provides specificity to existing law governing the dissolution of redevelopment agencies and the wind-down of their existing activities and obligations. The Bill included specific language to the Successor Agency that facilitates the issuance of bonds or other indebtedness for the purposes of low and moderate income housing and various infrastructure in the City, by allowing the pledge of revenues available in the Redevelopment Property Tax Trust Fund (RPTTF) that are not otherwise pledged, subject to the approval of the Oversight Board. The Bill also declares that the Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point – Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(1) Summary of Significant Accounting Policies (Continued)

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). The Successor Agency is allocated revenue in the amount that is necessary to pay the estimated annual payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported as a fiduciary fund (private-purpose trust fund).

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, 2019, the Successor Agency disbursed $32,558 to the developers through this arrangement and recorded an allowance against the receivables as they are deemed to be uncollectible. This allowance is recorded as a deduction - affordable housing loan program costs - in the financial statements. At June 30, 2019, the gross value of the notes and mortgages receivable was $254,097 and the allowance for uncollectible amounts was $252,598.

(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) Property Tax Revenues

Pursuant to the Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as property tax revenues, are deposited into the Successor Agency's RPTTF administered by the City's Controller for the benefit of holders of enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the RPTTF to the extent not necessary to pay enforceable obligations of the Successor Agency, plus any funds from asset sales are distributed by the City's Controller to the local agencies in the project area.

(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, 2019, 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, 2019, the Successor Agency reported pension items and OPEB items as deferred inflows of resources.

(1) Summary of Significant Accounting Policies (Continued)

(m) Effects of New Pronouncements

During the year ended June 30, 2019, the Successor Agency implemented the following Governmental Accounting Standards Board (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. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2019.

- In March 2019, 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. Implementation of this statement did not have a significant impact on the Successor Agency's financial statements for the year ended June 30, 2019.

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

- 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.

(1) Summary of Significant Accounting Policies (Continued)

- 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.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosure. The requirements of this statement are effective for the Successor Agency's year ending June 30, 2022.

(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.

(2) Cash and Investments

As of June 30, 2019, 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.

(Dollars in thousands)

(2) Cash and Investments (Continued)

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

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

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

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

The following is a summary of cash and investments as of June 30, 2019:

	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	$ -	$ -	$ 286,681	$ 286,681	Not rated
Restricted cash and investments with trustees:					
Money market mutual funds	293,497	-	-	293,497	Aaam
Total cash and investments	$ 293,497	$ -	$ 286,681	$ 580,178	

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.

(Dollars in thousands)

(2) Cash and Investments (Continued)

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, 2019, the Successor Agency's deposits and investments in the Pool is $286,681 and the total amount invested by all public agencies in the Pool is $11.6 billion. The Successor Agency's investment in the Pool has a weighted average maturity of 466 days. The City's Treasurer Oversight Committee (Committee) has oversight responsibility for the Pool. The value of the Successor Agency's shares in the Pool, which may be withdrawn, is based on the book value of the Successor Agency's percentage participation, which is different than the fair value of the Successor Agency's percentage participation in the Pool. At June 30, 2019, the Pool consists of U.S. government and agency securities, State and local government agency obligations, public time deposits, negotiable certificates of deposit, commercial paper, medium term notes, supranationals, and money market mutual funds as authorized by State statutes and the City's investment policy. Additional information regarding deposit, investment risks (such as interest rate, credit, and concentration of credit risks), and fair value hierarchy for the City's Treasurer's Pool may be obtained by contacting the City's Controller's Office, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, CA 94102.

(3) Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land held for lease	$ 18,525	$ -	$ -	$ 18,525
Capital assets being depreciated:				
Furniture and equipment	2,584	-	(278)	2,306
Building and improvements	38,473	-	(38,473)	-
Total capital assets being depreciated	41,057	-	(38,751)	2,306
Less accumulated depreciation for:				
Furniture and equipment	(2,562)	(9)	278	(2,293)
Building and improvements	(17,798)	(709)	18,507	-
Total accumulated depreciation	(20,360)	(718)	18,785	(2,293)
Total capital assets being depreciated, net	20,697	(718)	(19,966)	13
Total capital assets, net	$ 39,222	$ (718)	$ (19,966)	$ 18,538

During the year ended June 30, 2019, the Successor Agency transferred capital assets of $19,966 to the City as discussed in Note 9 to the basic financial statements.

(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, 2019:

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, June 30, 2018	Additions	Retirements	Balance, June 30, 2019	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%	6,315	-	(6,315)	-	-
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2006A (1)	50,731	2037	5.62% to 6.19%	31,001	-	(225)	30,776	2,742
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2007A (1)	118,285	2038	5.50% to 5.75%	103,775	-	(2,515)	101,260	5,360
Tax Allocation Revenue Bonds, San Francisco Redevelopment Refunding Notes Series 2007B (1)	94,115	2023	4.00% to 5.00%	15,045	-	(10,600)	4,445	1,040
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2009A (1)	75,000	2025	8.00%	1,975	-	(950)	1,025	1,025
Taxable Tax Allocation Revenue Bonds, San Francisco Redevelopment Project Series 2009E (1)	72,565	2040	6.62% to 8.41%	55,855	-	(15)	55,840	20
Tax Allocation Revenue Bonds, San Francisco Redevelopment								
Successor Agency Bonds:								
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2014A (1)	56,245	2044	5.00%	54,075	-	(795)	53,280	835
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014B (1)	67,955	2036	2.12% to 4.87%	45,155	-	(14,740)	30,415	5,985
Tax Allocation Refunding Bonds, San Francisco Redevelopment Projects Series 2014C (1)	75,945	2030	5.00%	41,685	-	(8,490)	33,195	9,300

(Continued on next page)

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

	Original Issue Amount	Final Maturity	Remaining Interest Rates	Balance, June 30, 2018	Additions	Retirements	Balance, June 30, 2019	Due Within One Year
Tax Allocation Refunding Bonds, Mission Bay North Redevelopment Projects Series 2016A (1)	73,890	2042	4.00% to 5.00%	73,350	-	(1,535)	71,815	1,595
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016B (1)	45,000	2044	3.00% to 5.00%	44,630	-	(990)	43,640	1,020
Tax Allocation Refunding Bonds, Mission Bay South Redevelopment Projects Series 2016C (1)	73,230	2042	3.00% to 5.00%	72,600	-	(1,640)	70,960	1,690
Tax Allocation Revenue Bonds, Mission Bay South Redevelopment Projects Series 2016D (1)	74,652	2044	3.00% to 5.00%	74,652	-	-	74,652	5,000
Tax Allocation Revenue Bonds, Affordable Housing Projects Series 2017A (1)	89,765	2045	2.19% to 4.38%	89,765	-	-	89,765	13,410
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%	41,165	-	(3,770)	37,395	375
Tax Allocation Refunding Bonds, Redevelopment Projects Series 2017D (1)	116,665	2042	1.63% to 3.75%	116,665	-	(7,155)	109,510	9,435
Tax Allocation Revenue Bonds, Redevelopment Projects Series 2017E (1)	19,745	2042	3.00% to 5.00%	19,745	-	(560)	19,185	740
Former Agency Revenue Bonds:								
Hotel Occupancy Tax Revenue Refunding Bonds, Series 2011 (2)	43,780	2025	5.00%	27,715	-	(4,610)	23,105	3,365
Subtotal Bonds Payable				947,961	-	(64,905)	883,056	62,937
Unamortized issuance premiums				48,065	-	(2,543)	45,522	-
Unamortized issuance discounts				(3,089)	-	142	(2,947)	-
Subtotal Bonds Payable, including unamortized premium and discounts				992,937	-	(67,306)	925,631	62,937
Accreted interest payable *				57,709	8,723	-	66,432	3,098
Cal Boating loans payable (3)				6,392	-	(6,392)	-	-
SERAF borrowing from the primary government				8,214	-	(1,773)	6,441	1,773
Accrued vacation and sick leave				952	787	(590)	1,149	787
Total long-term obligations				$ 1,066,204	$ 9,510	$ (76,061)	$ 999,653	$ 68,595

*Amount represents interest accretion on Capital Appreciation Bonds.

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

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

(1) Property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay and Mission Bay North project areas.
(2) Hotel occupancy tax revenues from the occupancy of guest rooms in the hotels within the City.
(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.

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.

Defeased Former Agency Bonds

The Successor Agency issued various bonds to advance refund the Former Agency bonds. The following is a summary of outstanding defeased Former Agency Bonds at June 30, 2019:

Refunding Successor Agency Bonds	Refunded Former Agency Bonds	Outstanding Defeased Amount	Final Redemption Date
2016 Series A	2009 Series C	$ 24,370	8/1/2019
2016 Series A	2011 Series C	24,925	2/1/2021
2016 Series C	2009 Series D	42,195	8/1/2019
2016 Series C	2011 Series D	33,540	2/1/2021
2017 Series C	2009 Series E	4,975	8/1/2019
2017 Series C	2011 Series E	9,445	2/1/2021
2017 Series D	2009 Series A	28,250	8/1/2019
2017 Series D	2009 Series B	8,940	8/1/2019
2017 Series D	2009 Series E	10,510	8/1/2019
2017 Series D	2010 Series A	37,670	8/1/2020
2017 Series D	2011 Series A	20,420	2/1/2021
2017 Series E	2009 Series F	6,105	8/1/2019
2017 Series E	2011 Series B	16,020	2/1/2021
	Total	$ 267,365	

(4) Long-Term Obligations (Continued)

Events of Default and Acceleration Clause

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

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

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

Pledged Revenues for Bonds

The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the property tax revenues. These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1,460,069. The property tax revenues recognized during the year ended June 30, 2019 was $158,635 as against the total scheduled debt service payment of $96,166.

The Hotel Occupancy Tax Revenue Refunding Bonds are secured by the pledge and lien of the hotel occupancy tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Occupancy Tax Revenue Refunding Bonds is approximately $27,342. The hotel occupancy tax revenue recognized during the year ended June 30, 2019 was $5,995 as against the total scheduled debt service payment of $5,996.

(Dollars in thousands)

(4) Long-Term Obligations (Continued)

Supplemental Education Revenue Augmentation Funds Borrowing from the City

During the year ended June 30, 2010, the former Agency borrowed $16,483 from the City's Low and Moderate Income Housing Fund (LMIHF) as part of the funding to make a payment of $28,733 to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon the dissolution of the former Agency, the City elected to become the Housing Successor Agency and retain the former Agency's housing assets and functions, rights, powers, duties and obligations. Interest will be accrued quarterly at an annual rate of 3% on the principal balance due to the City in accordance with HSC Section 34191.4(b)(3). During the year ended June 30, 2018, the DOF determined that since the borrowing is not considered an agreement between the former Agency and the City that created the former Agency, the Successor Agency is not authorized to accrue interest on the borrowing. The Successor Agency made payments in the amount of $1,773 to the City during the year ended June 30, 2019, and the outstanding payable balance was $6,441.

Transfer of Cal Boating Loans Payable

During the year ended June 30, 2019, the Successor Agency transferred the Cal Boating Loans Payable of $6,144 to the City as discussed in Note 9 to the basic financial statements.

(b) Repayment requirements

As of June 30, 2019, the debt service requirements to maturity, excluding accrued vacation and sick leave, are as follows:

	Tax Allocation Revenue Bonds		Hotel Occupancy Tax Revenue Refunding Bonds	
June 30,	Principal	Interest *	Principal	Interest
2020	$ 59,572	$ 36,956	$ 3,365	$ 1,155
2021	61,482	35,839	3,510	987
2022	58,881	36,145	3,690	812
2023	50,188	42,255	3,865	627
2024	32,834	43,201	4,220	434
2025-2029	154,813	162,255	4,455	222
2030-2034	155,154	123,679	-	-
2035-2039	149,001	80,231	-	-
2040-2044	113,911	37,699	-	-
2045-2047	24,115	1,858	-	-
TOTAL	$ 859,951	$ 600,118	$ 23,105	$ 4,237

* Including payment of accreted interest.

(c) Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Successor Agency has evaluated each bond issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2019.

(Dollars in thousands)

(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, 2019 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	6.902%	6.500%
Required employer contribution rates	49.640%	7.629%

(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, 2019, the Successor Agency's actuarially determined contractually required contribution was $1,637.

(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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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 0.28203% or $27,178, a decrease of $102 from the prior year.

For the year ended June 30, 2019, the Successor Agency recognized pension expense of $774. At June 30, 2019, 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	$ 1,637	$ -
Difference between expected and actual experience	1,043	355
Change in assumptions	3,098	759
Net differences between projected and actual earnings on plan investments	134	-
Changes in employer's proportion	766	674
Differences between the employer's contributions and the employer's proportionate share of contributions	-	2,864
Total	$ 6,678	$ 4,652

(Dollars in thousands)

(5) Pension Plan (Continued)

At June 30, 2019, the Successor Agency reported $1,637 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, 2020. 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
2020	$ 1,241
2021	458
2022	(1,065)
2023	(245)
Total	$ 389

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation, which was rolled forward to June 30, 2018, was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Services
Investment Rate of Return	7.15% Net of Pension Plan Investment Expenses, includes Inflation.
Post Retirement Benefit Increase	Contract COLA up to 2.00% until Purchasing Power Allowance Floor on Purchasing Power applies, 2.50% 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 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS 2017 experience study report available on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the fiscal years 1997 to 2015, 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 – Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The inflation rate reduced from 2.75 percent to 2.50 percent for the June 30, 2017 actuarial valuations.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound geometric returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The long-term expected real rate of return by asset class and the target allocation adopted by the CalPERS Board effective on July 1, 2017, are as follows:

Asset Class	New Strategic Allocation	Real Return Year 1-10 (a)	Real Return Year 11+ (b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) An expected inflation of 2.00% used for this period
(b) An expected inflation of 2.92% 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	$ 42,059	$ 27,178	$ 14,893

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, 2019, the most recent information available:

Inactive employees or beneficiaries currently receiving benefits	110
Active employees	46
Total	156

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, 2019, the Successor Agency's contributions totaled $2,967. 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

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, 2018, and the total pension liability used to calculation the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled backed to June 30, 2018 using standard update procedures.

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, 2017	$ 10,262	$ 3,925	$ 6,337
Changes during the measurement period			
Service cost	164	-	164
Interest on the total OPEB liability	701	-	701
Differences between expected and actual experience	267	-	267
Change in assumptions	1,572	-	1,572
Contributions from the employer	-	2,145	(2,145)
Net investment income	-	339	(339)
Administrative expenses	-	(11)	11
Benefit payments	(812)	(812)	-
Net changes during measurement period	1,892	1,661	231
Balance at June 30, 2018	$ 12,154	$ 5,586	$ 6,568

OPEB Expense – For the year ended June 30, 2019, the Successor Agency recognized OPEB expense of $1,931. At June 30, 2019, the Successor Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 2,967	$ -
Difference between expected and actual experience	181	-
Change in assumptions	1,065	-
Net differences between projected and actual earnings on plan investments	-	14
Total	$ 4,213	$ 14

(Dollars in thousands)

(6) Other Postemployment Benefits Plan (Continued)

At June 30, 2019, the Successor Agency reported $2,967 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB items will be recognized as OPEB expense as follows:

Year Ending June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 590
2021	590
2022	57
2023	(5)
Total	$ 1,232

Actuarial Assumptions - A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2018 are as follows:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal cost
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	3.00%; Merit based on CalPERS Membership Data 1997-2015 Experience Study
Healthcare Cost Trend Rate	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076. Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076.
Mortality and other actuarial assumptions	Derived using CalPERS Membership Data 1997-2015 Experience Study. Post-retirement mortality projected fully generational with Scale MP-2018.

Changes of Assumptions – Demographic assumptions were changed in accordance to the CalPERS Membership Data 1997-2015 Experience Study. The discount rate reduced from 7.00% to 6.75% for the June 30, 2019 actuarial valuations.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.75%. 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.

(Dollars in thousands)

(6) Other Postemployment Benefits Plan (Continued)

The long-term expected rate of return for OPEB plan investments is 6.75%. 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%	4.82%
Fixed Income	27.0%	1.47%
REITS	8.0%	3.76%
TIPS	5.0%	1.29%
Commodities	3.0%	0.84%
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 6.75%, 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% (5.75%)	Current Discount Rate (6.75%)	Discount Rate +1% (7.75%)
$ 7,866	$ 6,568	$ 5,475

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%
$ 5,520	$ 6,568	$ 7,808

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. At June 30, 2019, the Successor Agency had outstanding community district facility bonds totaling $182.3 million.

(8) Commitments and Contingent Liabilities

(a) Insurance, Claims and Litigation

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

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

(b) Operating Leases

The Successor Agency entered into a cancelable operating leases for its office site. The Successor Agency has also entered into 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. The Successor Agency has exercised several of the lease options. During the year ended June 30, 2019, the Successor Agency transferred all leases related to the Master Lease Option Agreement to the City as discussed in Note 9 to the basic financial statements.

Total rent payments for operating leases totaled $916 for the year ended June 30, 2019.

(c) Transbay Transit Center Agreements

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

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option

(Dollars in thousands)

(8) Commitments and Contingent Liabilities (Continued)

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, 2019, the Successor Agency distributed $12,458 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.

(d) 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, 2019, the Successor Agency had outstanding encumbrances totaling $846.

(9) Transfer of Assets, Liabilities, and Operations to the City

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 City negotiated a memorandum of agreement for the transfer of certain assets, liabilities, and operations of the Rincon Point South Beach Project to the City. On April 30, 2019, the Successor Agency transferred the operations, leasehold interests, and the following assets and liabilities balances to the City:

Assets:		
Cash and investments	$	5,078
Capital assets		19,966
Other assets		104
Liabilities:		
Long-term liabilities - Cal Boating Loans Payable		(6,144)
Interest payable		(207)
Other liabilities		(457)
Total	$	18,340

The transfer of these assets and liabilities was recorded as a reduction – intergovernmental transfer of assets and liabilities to the City on the statement of changes in fiduciary net position. For the period from July 1, 2018 to April 30, 2019, the Successor Agency recorded total additions of $4,584 and deductions of $3,076 related to the transferred operations.

(10) 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 2049-50. The Successor Agency also had three noncancelable operating subleases at Pier 40 in the South Beach Harbor project area expiring in fiscal year 2022-23. During the year ended June 30, 2019, the Successor Agency transferred these leases to the City as discussed in Note 9 to the basic financial statements.

For the period July 1, 2018 to April 30, 2019, the Successor Agency reported operating lease rental income from noncancelable operating leases of $912. The lease rental income was recorded as a component of charges for services on the statement of changes in fiduciary net position.

(11) Related Party Transactions

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

At June 30, 2019, the Successor Agency has payables to the City in the amount of $1,648 for services provided. The balance is recorded as payable to the City on the statement of net position.

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

A variety of City departments provide administrative services to the Successor Agency and charge amounts designed to recover costs. These charges, totaling $8,476 for the year ended June 30, 2019, 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, 2019

Last 10 Years *

(Dollars In Thousands)

Fiscal year	2014-15	2015-16	2016-17	2017-18	2018-19
Measurement period	2013-14	2014-15	2015-16	2016-17	2017-18
Proportion of net pension liability	0.25504%	0.24131%	0.26905%	0.27508%	0.28203%
Proportionate share of the net pension liability	$ 15,870	$ 16,563	$ 23,281	$ 27,280	$ 27,178
Covered payroll	$ 3,962	$ 3,427	$ 3,769	$ 5,042	$ 5,742
Proportionate share of the net pension liability as a percentage of covered payroll	400.56%	483.31%	617.70%	541.06%	473.32%
CalPERS Plan's fiduciary net position as a percentage of total pension liability	80.43%	78.40%	74.06%	73.31%	75.26%

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, 2017 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%. During measurement period 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

* 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 Contributions - Pension Plan
June 30, 2019
Last 10 Years *
(Dollars In Thousands)

Fiscal year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Contractually required contribution (actuarially determined)	$ 591	$ 598	$ 828	$ 970	$ 1,283	$ 1,637
Contributions in relation to the actuarially determined contributions	(591)	(598)	(828)	(970)	(1,283)	(1,637)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,962	$ 3,427	$ 3,769	$ 5,042	$ 5,742	$ 6,384
Contributions as a percentage of covered payroll	14.92%	17.45%	21.97%	19.24%	22.34%	25.64%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2018-19 contribution rates are as follows:

Valuation date:	6/30/2016
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	7.375%, 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 six 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, 2019

Last 10 Years *

(Dollars In Thousands)

Fiscal Year	2017-18	2018-19
Measurement period	2016-17	2018-19
Total OPEB liability		
Service cost	$ 159	$ 164
Interest on the total OPEB liability	692	701
Changes of assumptions	-	1,572
Differences between expected and actual experience	-	267
Benefit payments	(797)	(812)
Net change in total OPEB liability	54	1,892
Total OPEB liability, beginning	10,208	10,262
Total OPEB liability, ending	**$ 10,262**	**$ 12,154**
Plan fiduciary net position		
Contributions, employer	$ 1,097	$ 2,145
Investment income	353	339
Benefit payments	(797)	(812)
Administrative expenses	(3)	(11)
Net change in plan fiduciary net position	650	1,661
Plan fiduciary net position, beginning	3,275	3,925
Plan fiduciary net position, ending	**$ 3,925**	**$ 5,586**
Plan net OPEB liability	**$ 6,337**	**$ 6,568**
Plan fiduciary net position as a percentage of the total OPEB liability	**38.2%**	**46.0%**
Covered-employee payroll	**$ 5,042**	**$ 5,742**
Plan net OPEB liability as a percentage of covered-employee payroll	**125.68%**	**114.39%**

Note to schedule:

Change in assumptions - During measurement period 2018, the discount rate was decreased from 7.00% to 6.75%. Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. Healthcare Cost Trend Rates are also updated.

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

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

Required Supplementary Information (Unaudited)

Schedule of Contributions - OPEB Plan

June 30, 2019

Last 10 Years *

(Dollars In Thousands)

Fiscal year	2016-17	2017-18	2018-19
Actuarially determined contributions (ADC)	$ 804	$ 813	$ 812
Contributions in relation to the ADC	(1,097)	(2,145)	(2,967)
Contribution deficiency (excess)	$ (293)	$ (1,332)	$ (2,155)
Covered-employee payroll	$ 5,042	$ 5,742	$ 6,384
Contributions as a percentage of covered-employee payroll	21.76%	37.36%	46.48%

Notes to Schedule:

The actuarial methods and assumptions used to determine the fiscal year 2018-19 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 three years of information are shown.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2019, 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 9, 2019.

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.

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 9, 2019