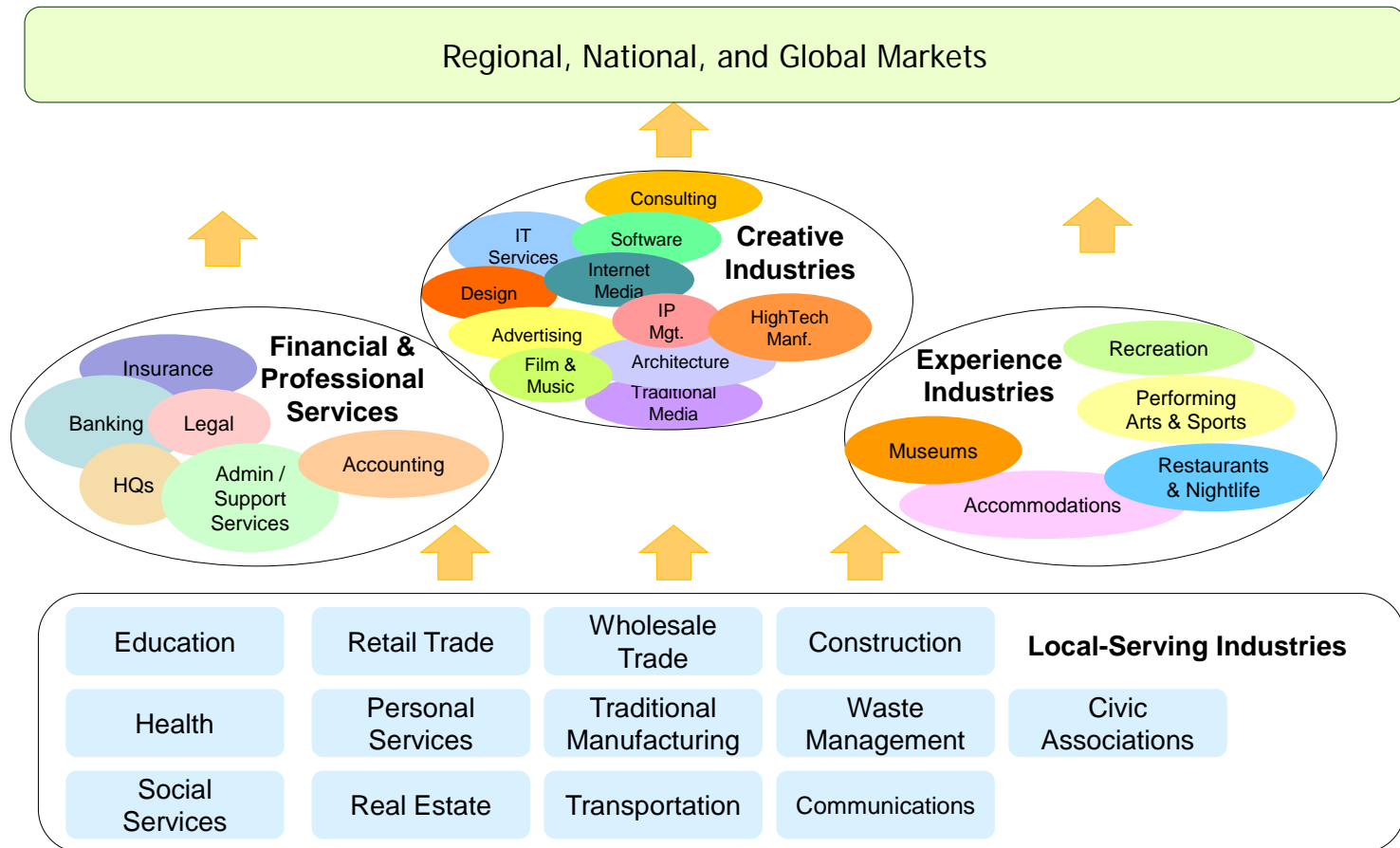




San Francisco Economic and Fiscal Update January 2016

Ben Rosenfield, Controller
Ted Egan, Chief Economist
January, 2016

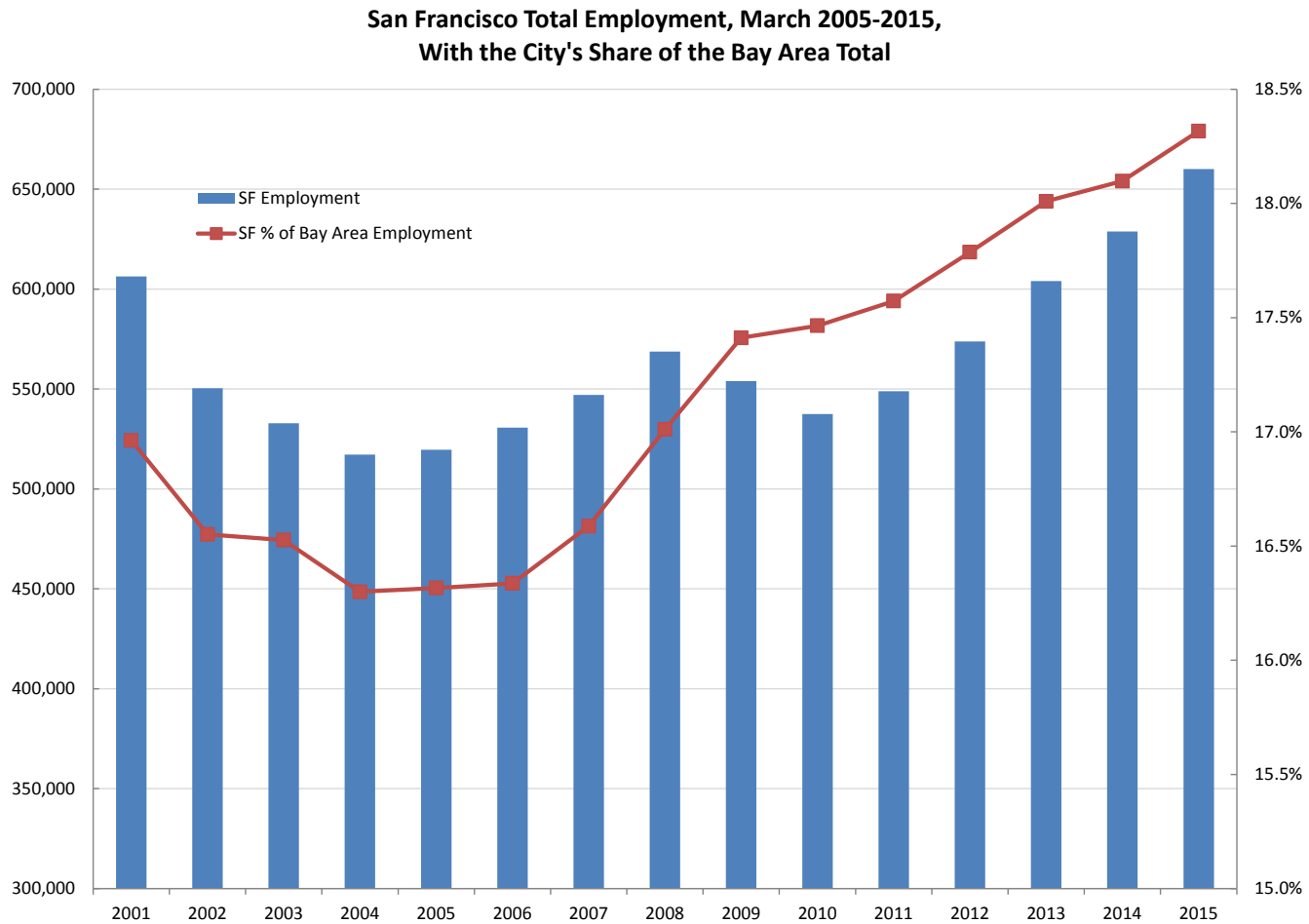
Structure of San Francisco's Economy



Economic Growth Leads to Growth in the City's Tax Revenues

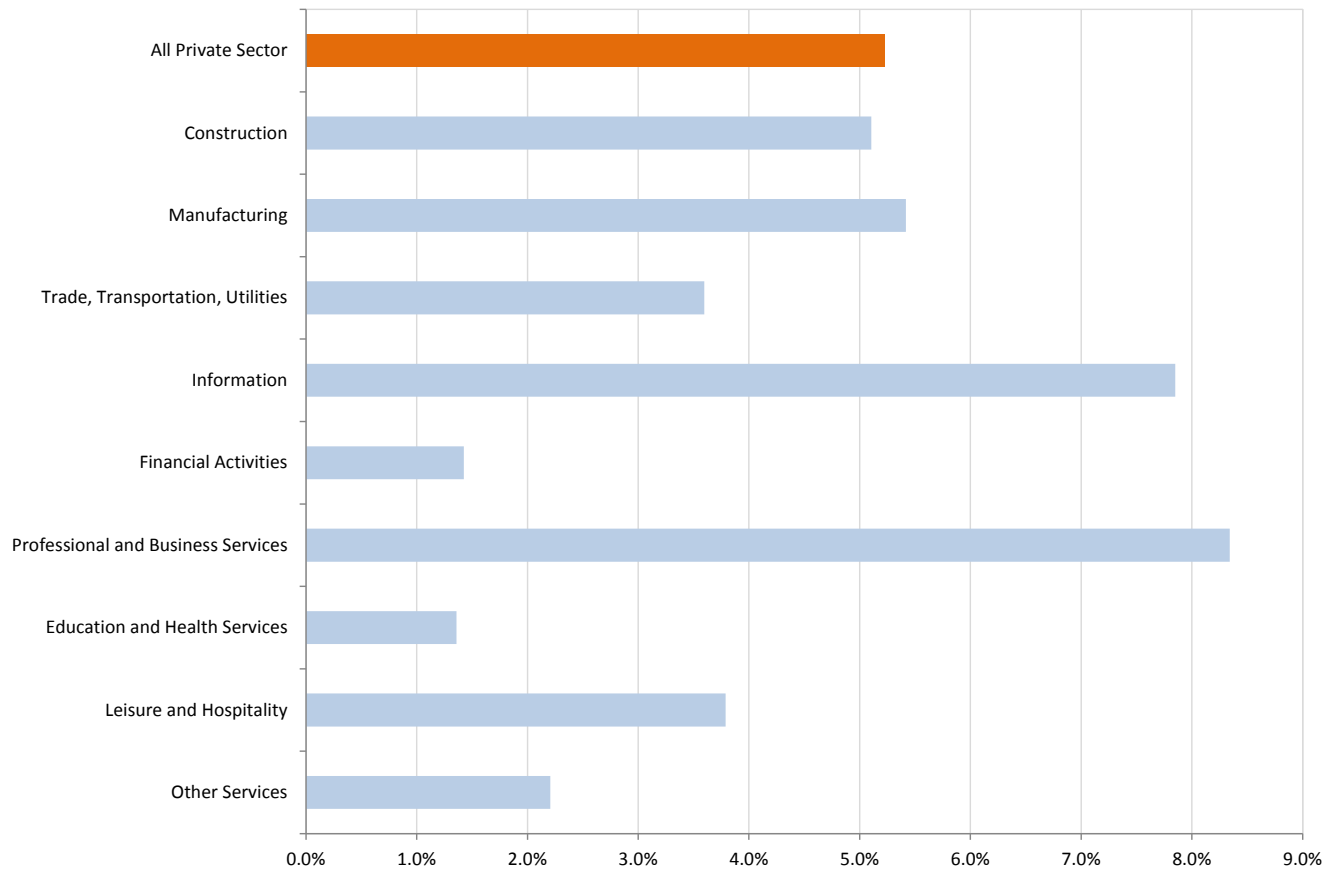
Growth in These Sectors...	...Leads to Growth in These Revenues
Overall Employment, Wages, and Revenues	Payroll and Gross Receipts Taxes (\$612M); Utility User Tax (\$99M)
Visitors and Hotel Room Rates	Hotel Tax (\$400M), Sales Tax (\$240M)
Population and Per Capita Income	Sales Tax, Parking Tax (\$87M)
Housing and Commercial Real Estate Prices	Property (\$1.6B) and Transfer Taxes (\$340M)

Through March, San Francisco Employment Has Reached Record Highs: Job Growth Has Consistently Outpaced the Bay Area Since 2004

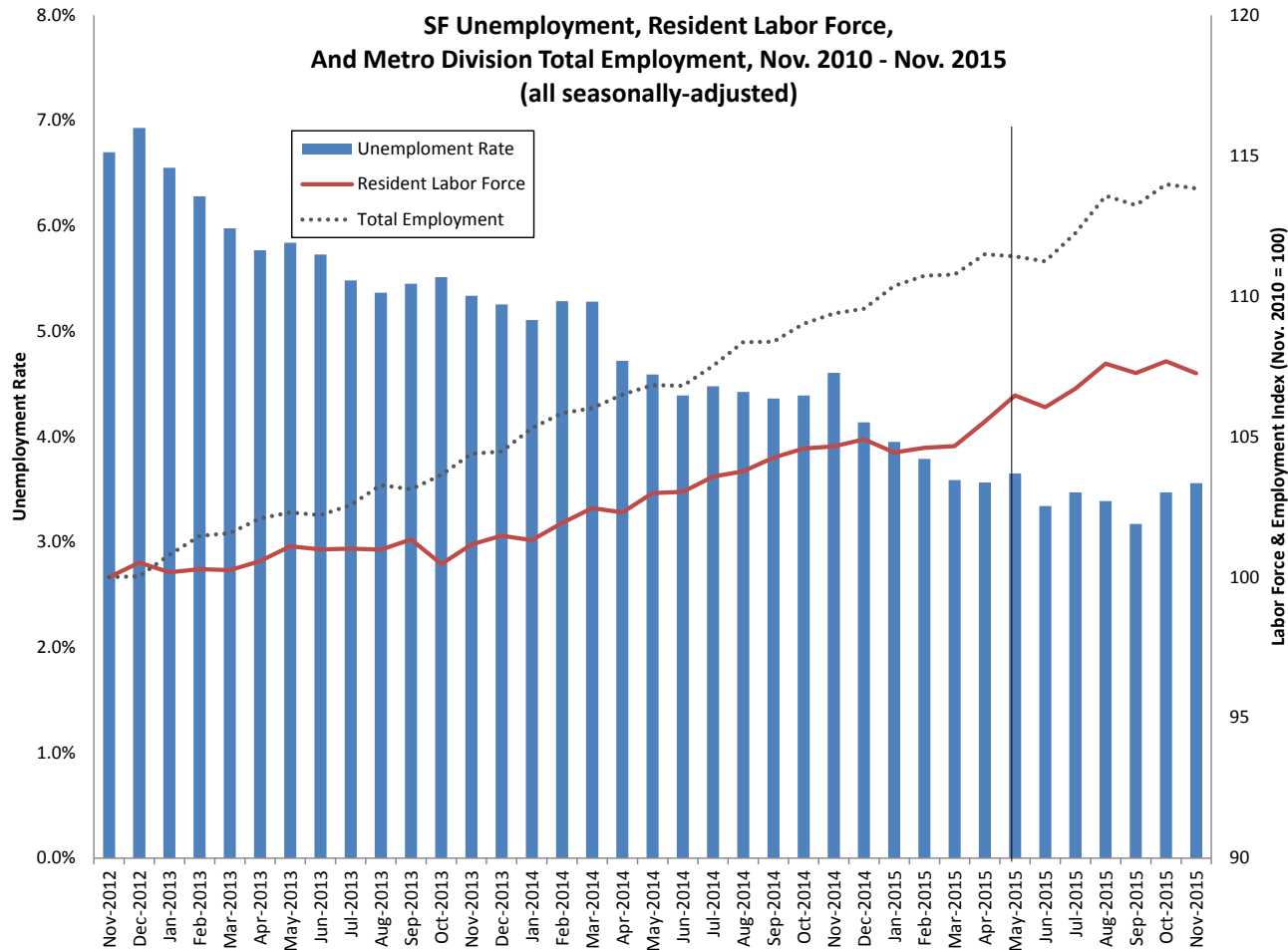


BLS Data for the City Through March Indicates Continued Employment Growth in Every Sector, Led by Professional Services & Information

Employment Growth by Sector in San Francisco,
March 2014 to March 2015



Resident Labor Force and Unemployment Rate Have Levelled Off, Signaling Full Employment in the City, and Increased In-Commuting

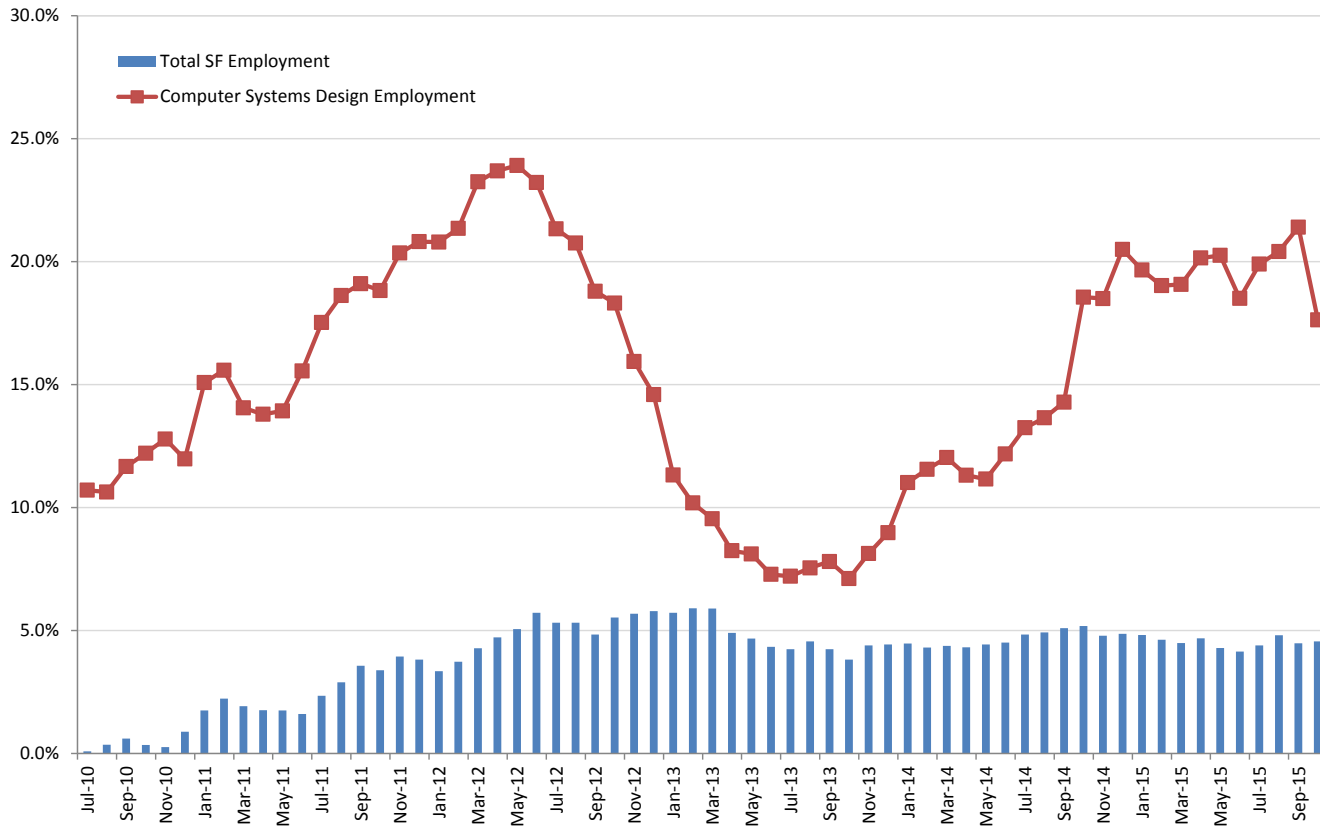


From May-November 2015:

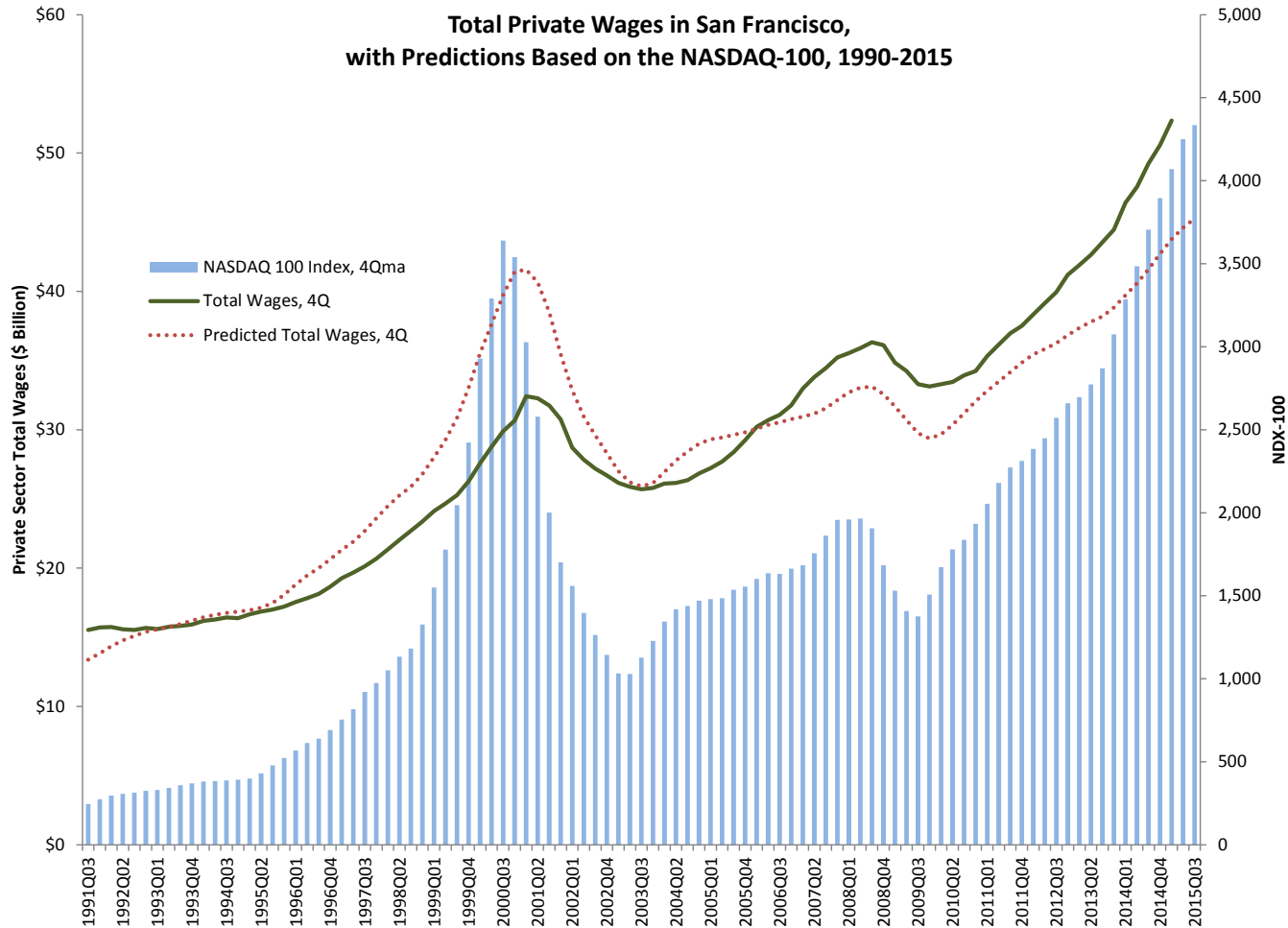
- No change in the city's unemployment rate
- 1.4% annualized growth in the labor force
- 4.4% annualized growth in employment in the Metro Division (SF and San Mateo counties).

The Latest Regional Data (Including San Mateo County) Through October Shows the Largest Tech Sector Growing at Over 15% Per Year

**Annual Employment Growth Rate,
Total and Computer Systems Design Employment,
San Francisco Metro Division, July 2010-October 2015**



Tech's Role in Driving the Economy: NASDAQ Has Closely Tracked the City's Business Tax Base, and Predicted Downturns



Things to Consider: Three Factors Affecting Continued Growth

- The U.S. Economy – Risk is relatively low for 2016, but global factors are a concern.
 - Blue Chip GDP forecasts for 2016 range from 2.2 - 2.9%.
 - U.S. unemployment now 5.0% - wages now rising nationally at a 2.3% rate - with virtually no inflation.
 - 211,000 jobs added in November - Fed has begun raising interest rates.
 - China, impact of a rising dollar are potential risks that may slow interest rate movement.
- Local Tech Sector – Risk is Rising.
 - Unprofitable companies employ many if not most tech employees.
 - A weakening investment climate could slow and eventually reverse the pace of hiring.
- Local Infrastructure Constraints – Will lead to a levelling-off even without a downturn in the tech sector or the broader economy.