



San Francisco Financial Overview

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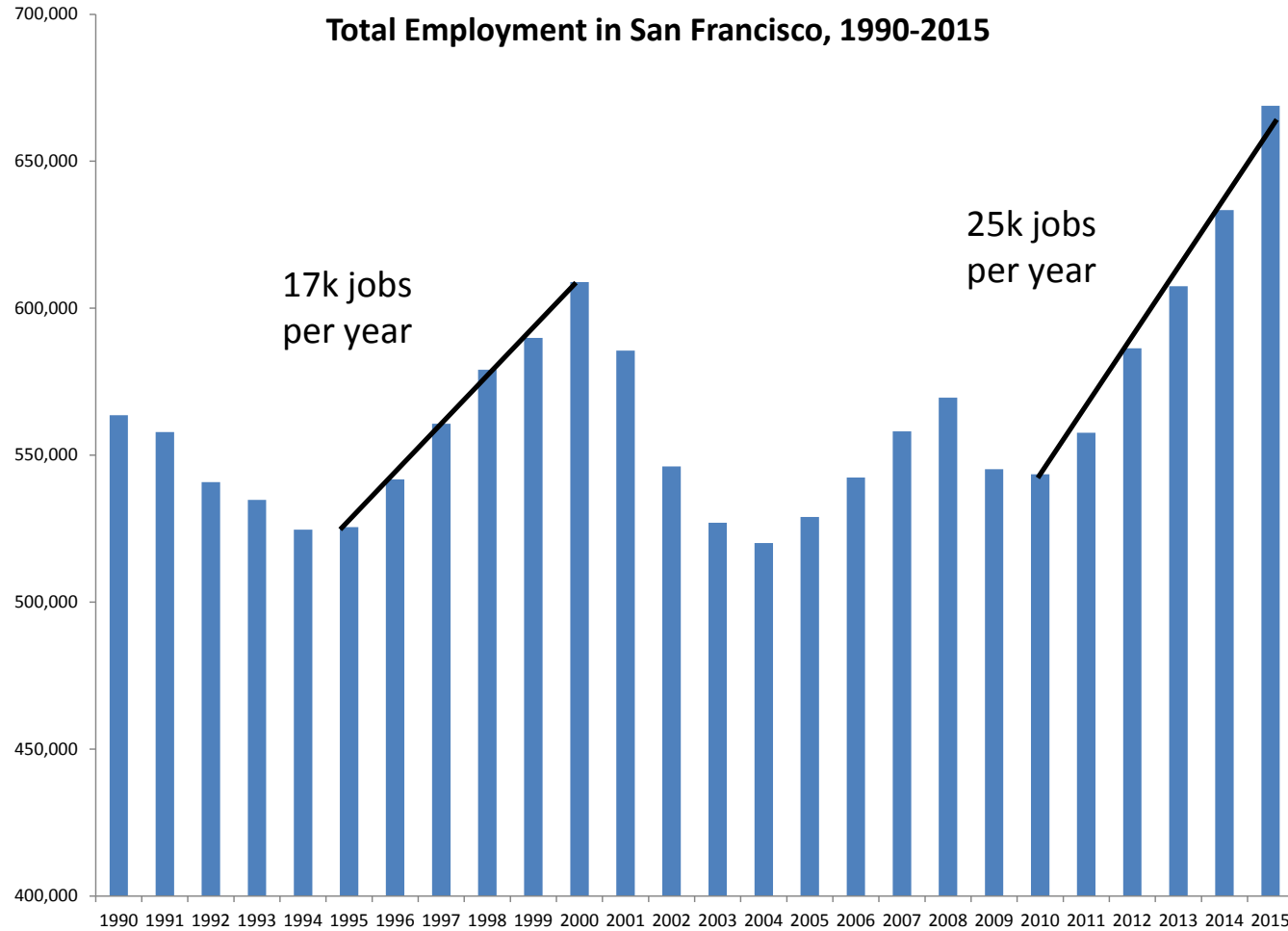
Presentation Outline

Economic update

City financial update

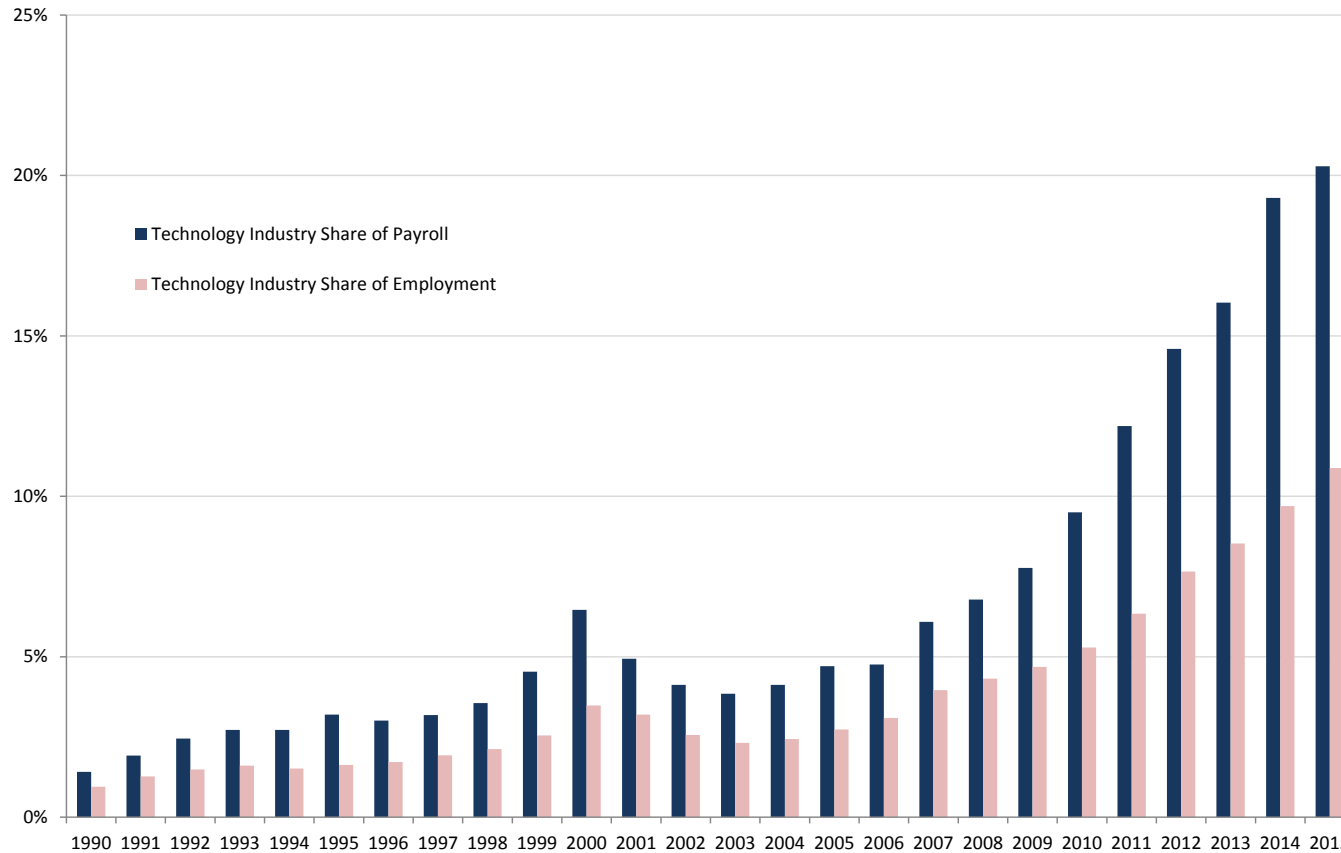
Risks

This Decade Has Brought Unprecedented Growth to San Francisco



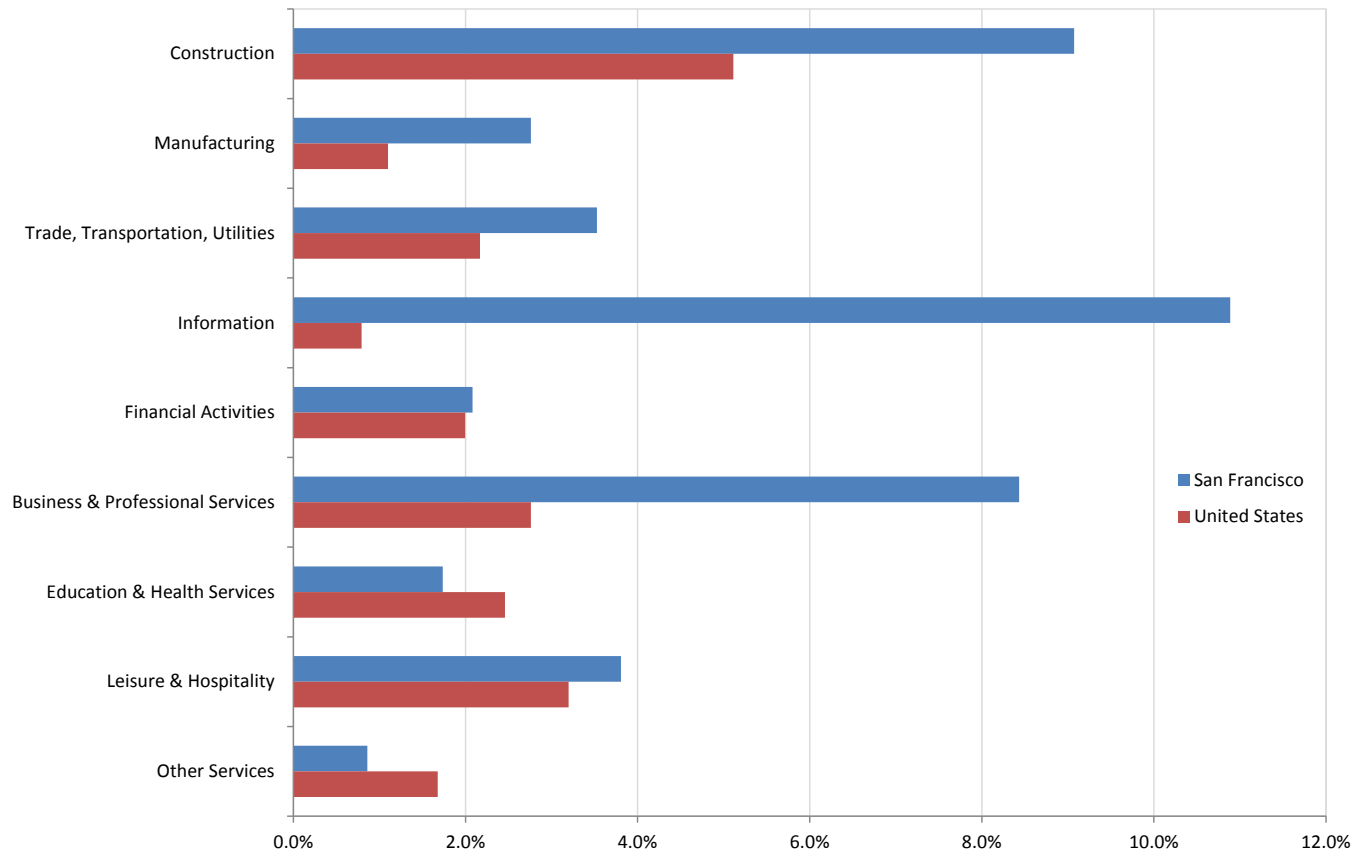
Technology Industry Has Emerged as the City's Primary Economic Driver

**Technology Industry Share of Private Sector
Payroll and Employment in San Francisco, 1990-2015**



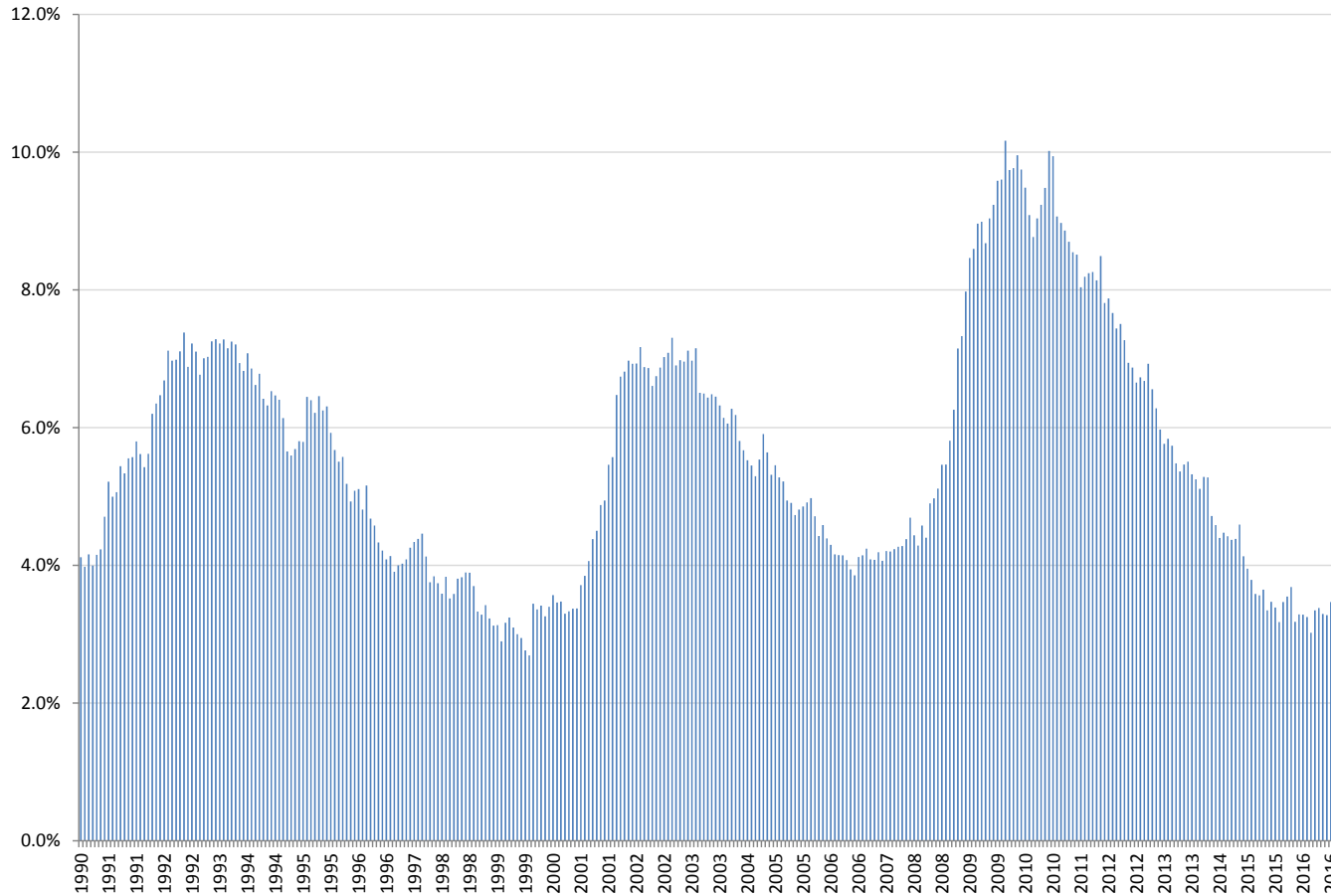
Yet Employment Growth Has Continued Across the Board

**Employment Growth By Sector,
San Francisco and the United States, 2014-15**



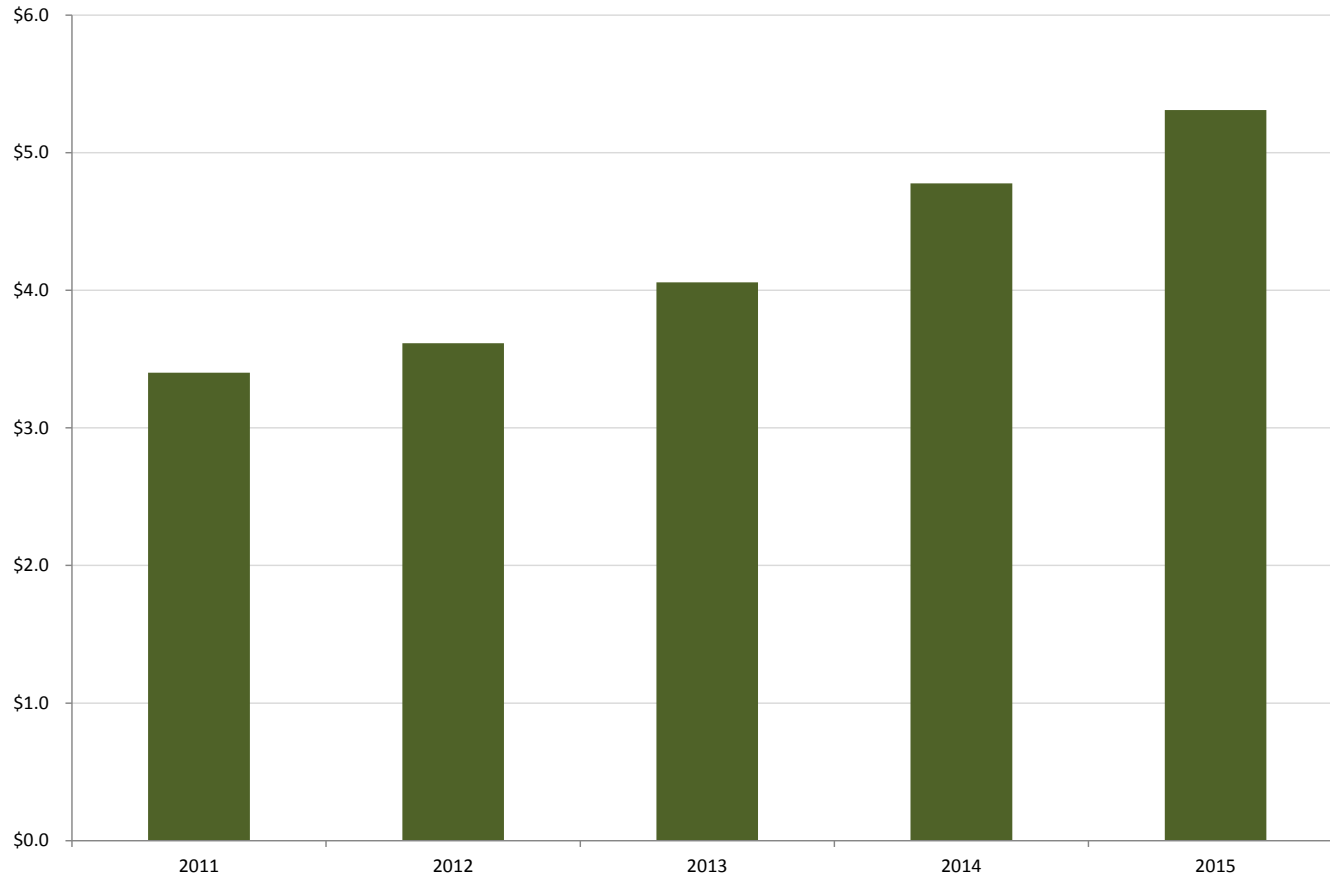
Labor Market Has Found Full Employment – In the 3.0 - 3.3% Range for Nearly all of 2016 on a Seasonally-Adjusted Basis

San Francisco Monthly Unemployment Rate, Seasonally-Adjusted,
1990 - November 2016



Cost of Commuting Becoming an Ever-Larger Economic Drag on the City

**Aggregate Value of Time Spent Commuting by Workers in San Francisco,
2011-2015 (\$B)**



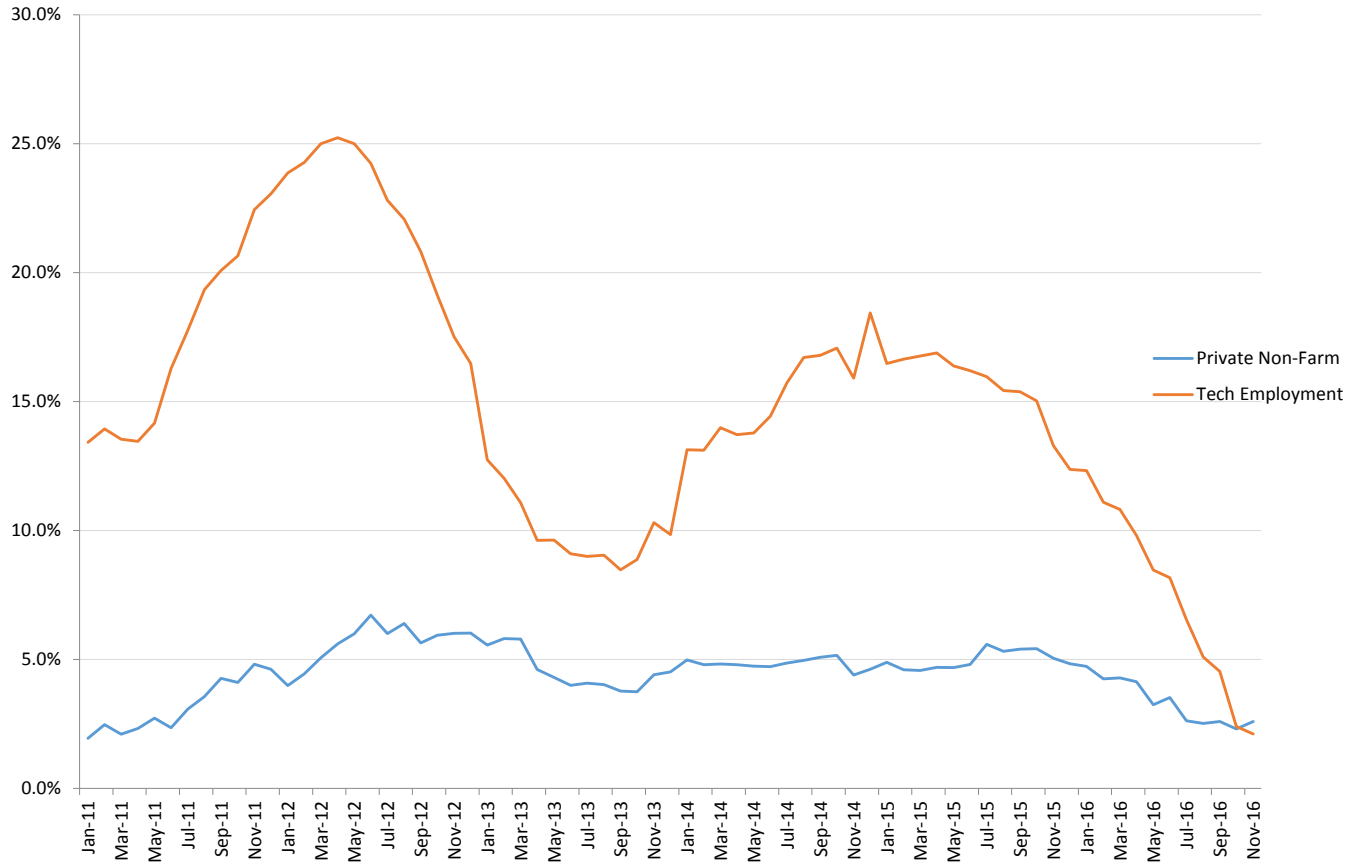
12-month Trend in NASDAQ is Slower Relative to Earlier in the Decade, Venture Capital Funding is Declining

Trends in the NASDAQ-100, Bay Area Venture Capital Investment, and San Francisco Metro Division Tech Employment, 2011-16

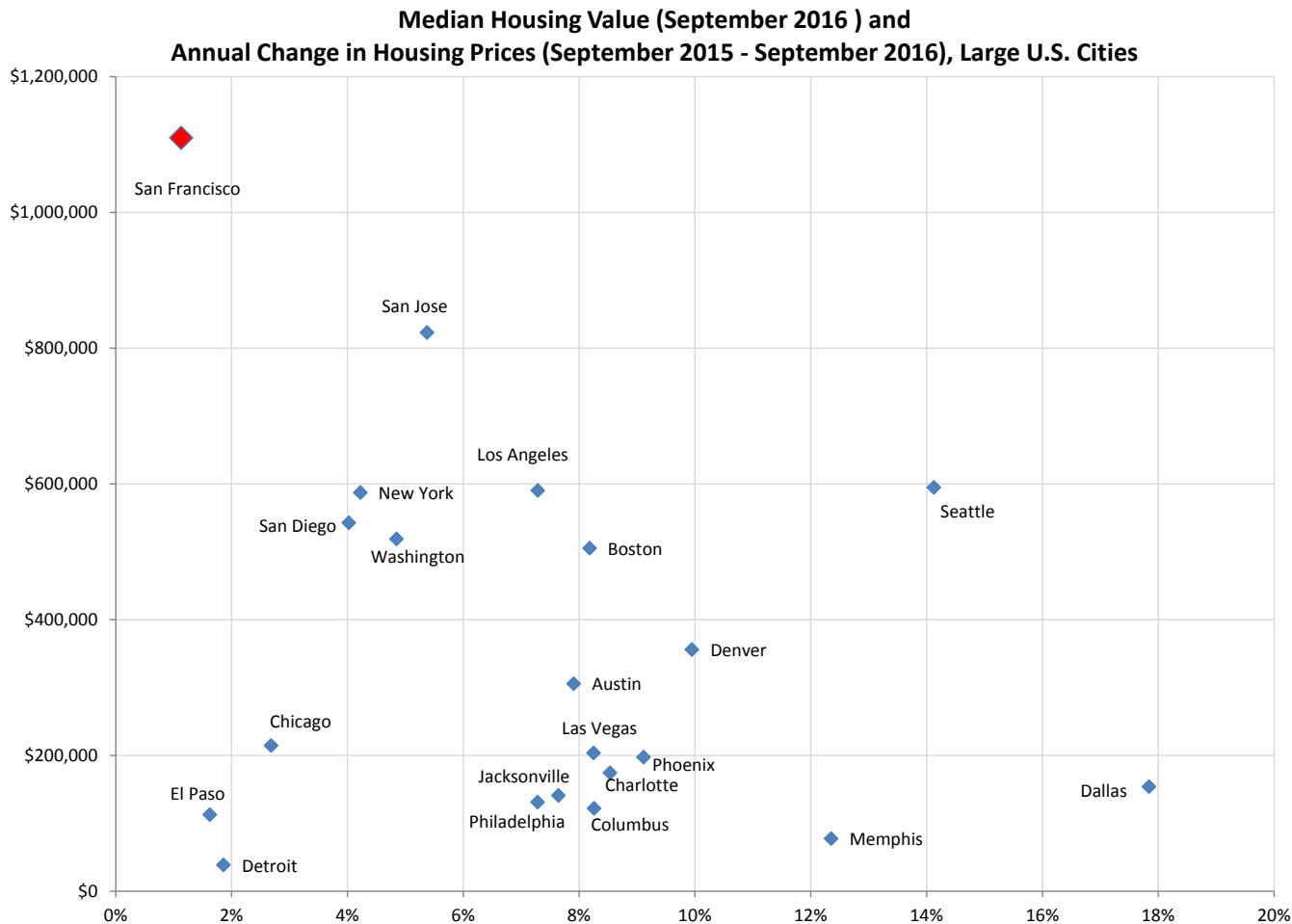


Tech Slowdown Led to Slowdown in the Broader Economy Last Year

Annual Growth Rates in Tech and Private Non-Farm Employment,
January 2011 - November 2016



Depending on Sources and Metrics, the Local Housing Market Has Either Slowed Down or Begun a Downturn



Some National Economic Scenarios for the Next Few Years

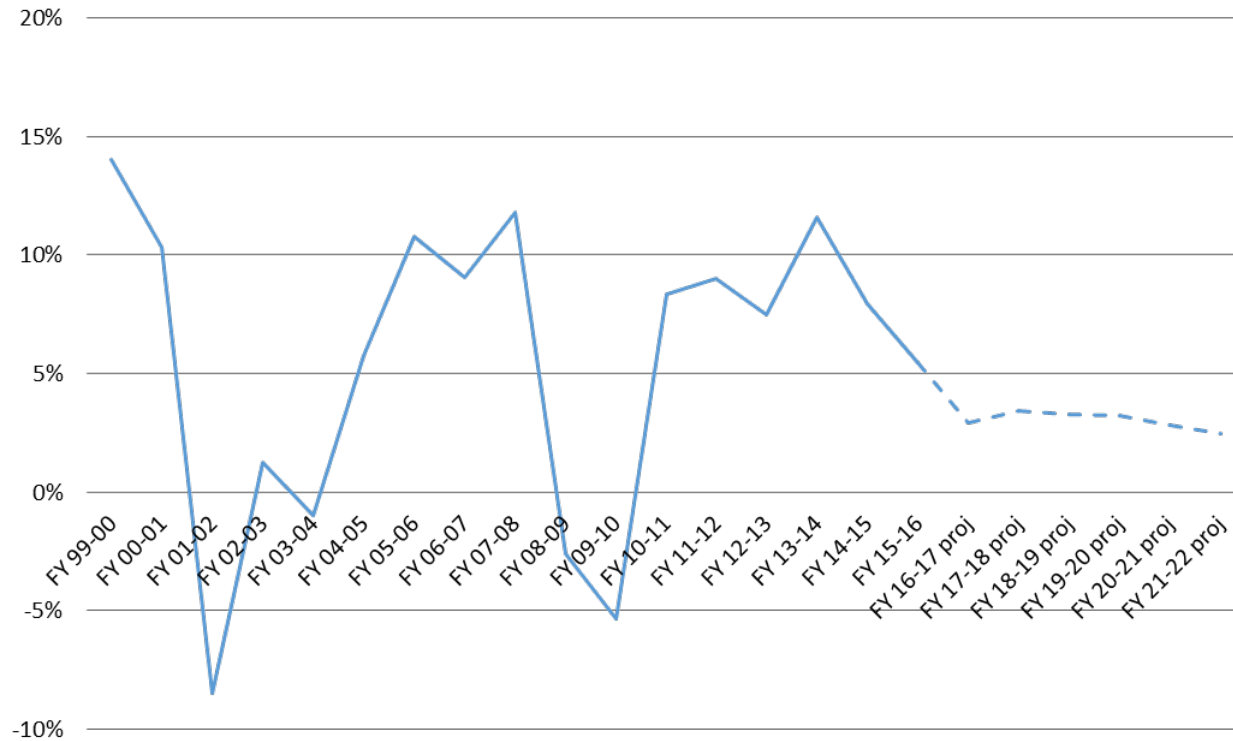
- Baseline assumptions (50% chance the economy will be better, 50% worse).
 - Full employment in 2017, continuing until 2020
 - Fed funds rate gradually rising to 4%
 - Inflation gradually rising to 3%
 - Fiscal stimulus - \$1.5 trillion in more-than-expected deficits in 10 years.
 - Despite this, US Dollar rises against Euro, Yen, Sterling
 - Slow rise in energy prices
 - Real GDP growth of 2.7% in 2017 and 3.0% in 2018
- A 90% Scenario (90% chance the economy will be worse in the near term):
 - Better-than-expected stock market and consumer confidence fuel more growth, and inflation, in the near term
 - Interest rates rise faster, lead to an earlier slow-down compared to the baseline
 - Real GDP growth of 3.7% in 2017 and 3.2% in 2018
- And a 10% Scenario (10% chance the economy will be worse):
 - Stock market turns pessimistic on Trump, Brexit fears, Europe returns to recession
 - Mild recession begins this quarter, ends by the end of 2017
 - -0.4% GDP growth this year, 0.2% in 2018.

Diverse City revenue base captures broad array of economic activities

Sources of Funds	FY 2016-17	
	Budget (\$ Millions)	% of Total
Property Taxes	\$1,412	29.1%
Other Local Taxes	1,117	23.0%
Intergovernmental - State	700	14.4%
Business Taxes	669	13.8%
Intergovernmental - Federal	253	5.2%
Charges for Services	236	4.9%
Other Revenues	61	1.3%
Licenses, Permits & Franchises	29	0.6%
Rents & Concessions	16	0.3%
Other Revenues	14	0.3%
Interest & Investment Income	5	0.1%
Fines and Forfeitures	5	0.1%
Intergovernmental - Other	1	0.0%
Subtotal Regular Revenues	\$4,520	93.0%
Transfers, Net	162	3.3%
Prior Year Fund Balance	172	3.5%
Prior Year Reserves	6	0.1%
Total Sources	\$4,860	100.0%

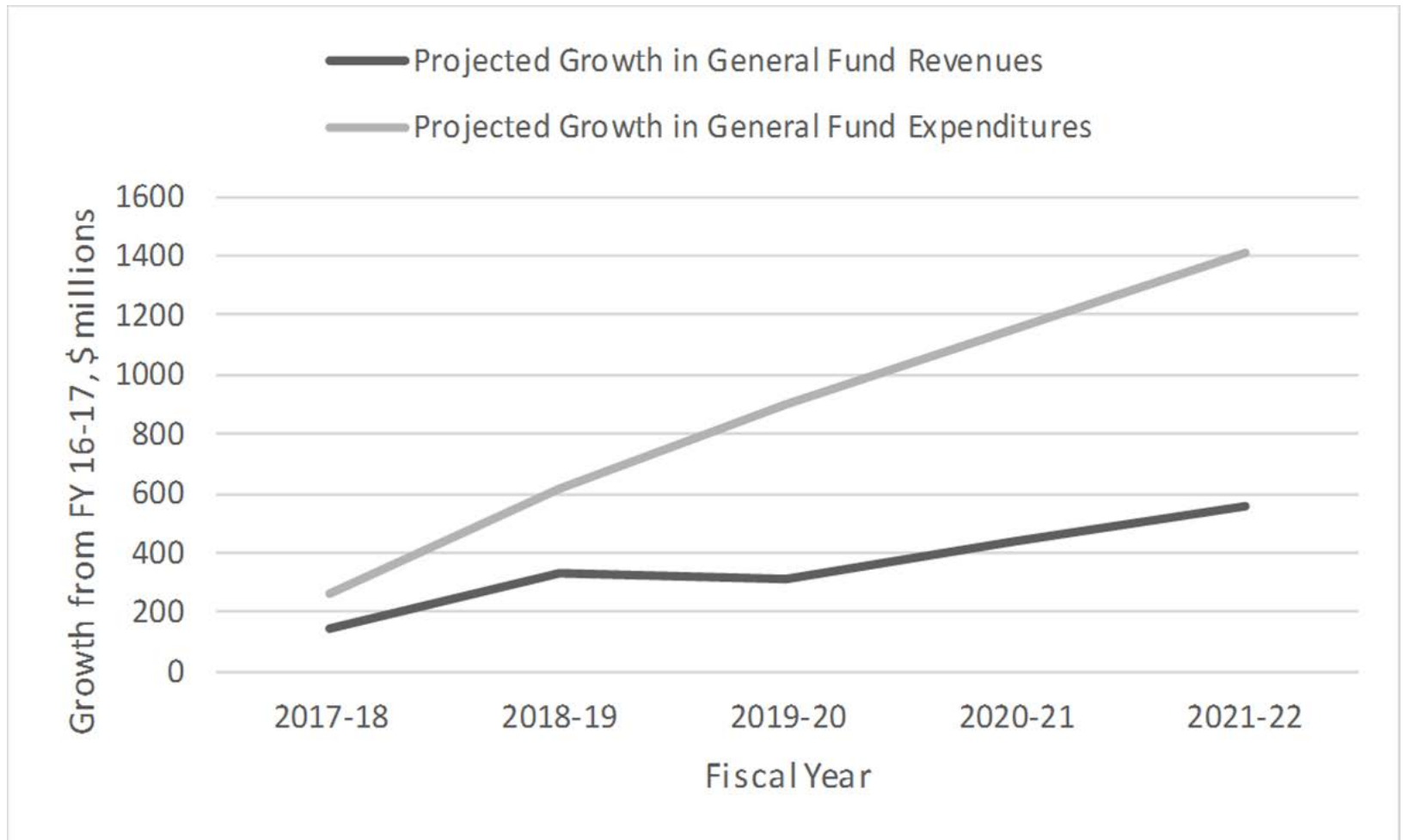
Moderating revenue growth

**General Fund Revenue Growth
FY 1999-00 to FY 2021-22 (projected)**



Note: Includes local sales tax (adjusted for 1% Triple Flip, parking, business, and utility user taxes).

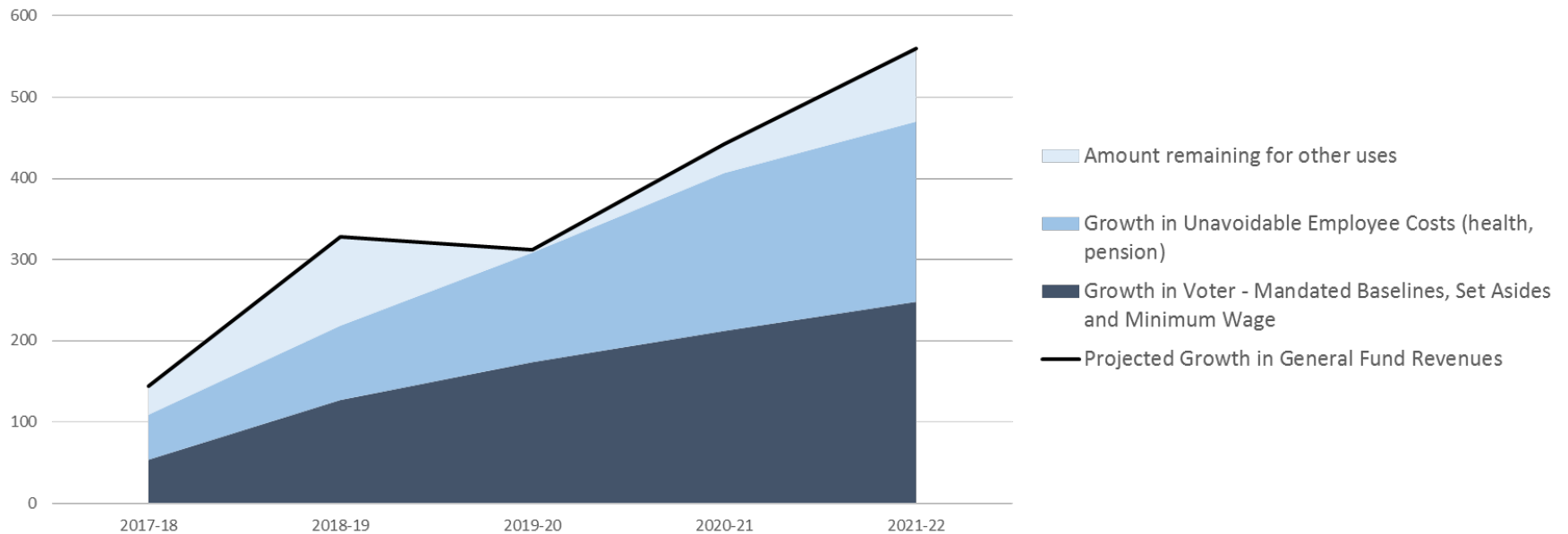
Significant expenditure pressures



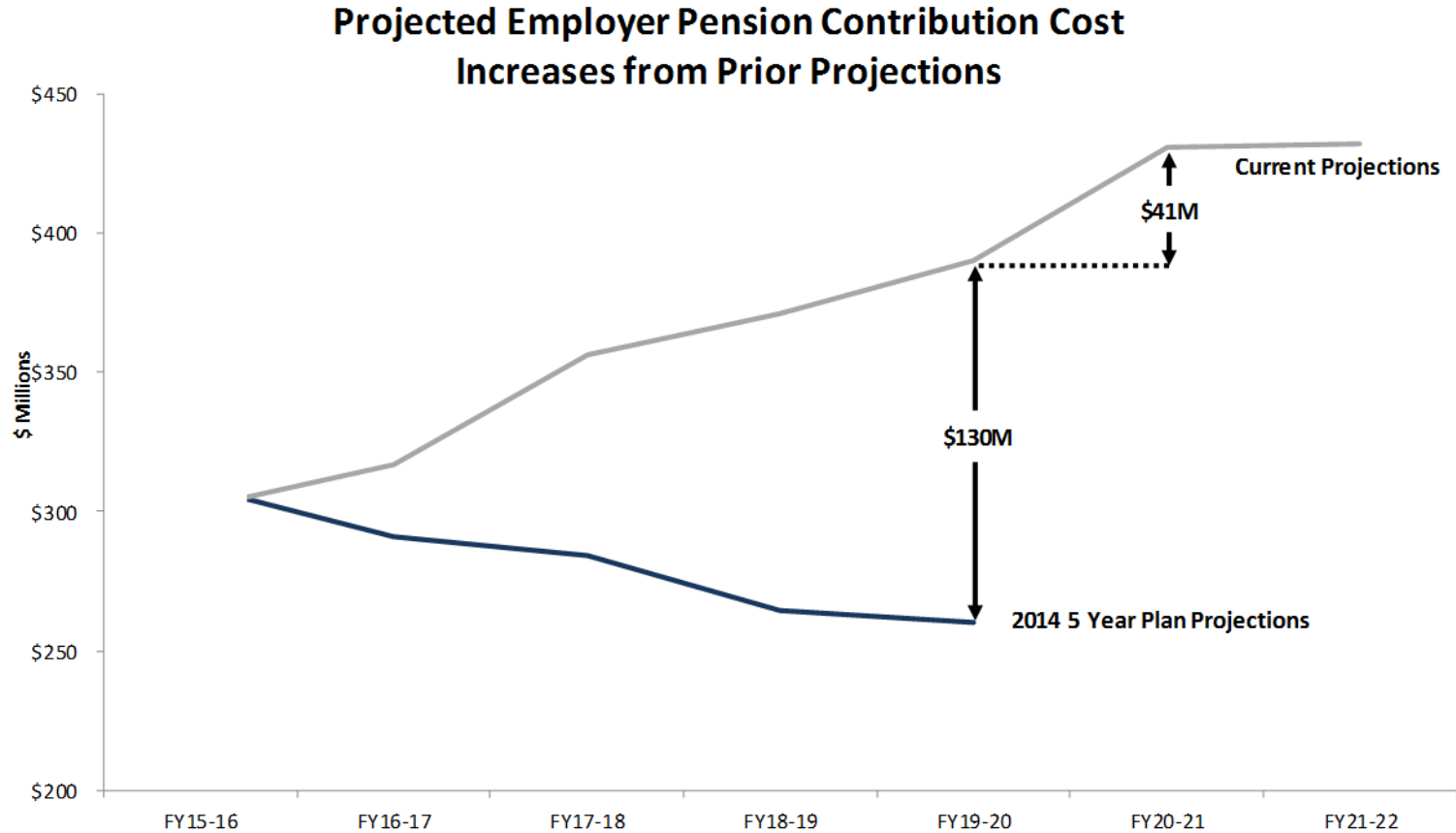
Growing structural General Fund budget gaps

Projection Issued	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
5/2011	(283.1)	(457.5)	(619.4)	(745.7)	(829.1)						
3/2013			(123.6)	(256.1)	(367.7)	(423.2)	(487.2)				
12/2014					(15.9)	(88.3)	(274.8)	(366.1)	(417.9)		
12/2016							(119.0)	(283.4)	(584.7)	(713.4)	(848.4)

Key drivers: Employee benefits & ballot measures



Revised pension outlook given recent set-backs



Cost of recent ballot measures

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	TOTAL:
Housing Trust Fund 2011	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(2.8)	(19.6)
MTA population growth 2014	(25.9)	(12.1)	(2.5)	(4.2)	(5.3)	(7.0)	(3.8)	(60.8)
Children's Fund Increase 2014	(8.3)	(12.7)	(11.8)	(9.9)	(3.4)	(3.2)	(3.4)	(52.7)
Minimum Wage 2014	(11.5)	12.8	(6.7)	(10.3)	(3.2)	(0.6)	(0.6)	(20.1)
Recreation & Parks Baseline 2016	-	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(18.0)
Street Trees Set-Aside 2016	-	-	(12.8)	(0.9)	(0.6)	(0.6)	(0.6)	(15.4)
Dignity Fund 2016	-	-	(6.0)	(3.0)	(3.0)	(3.0)	(3.0)	(18.0)
Subtotal:	(48.5)	(17.8)	(45.5)	(34.1)	(21.3)	(20.2)	(17.2)	
Cumulative:	(48.5)	(66.2)	(111.7)	(145.9)	(167.2)	(187.4)	(204.6)	(204.6)

Other risks & considerations

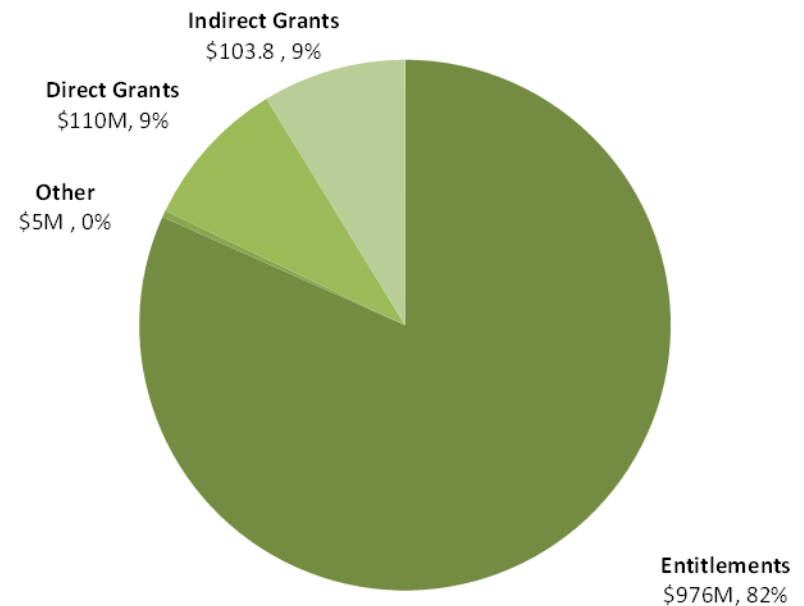
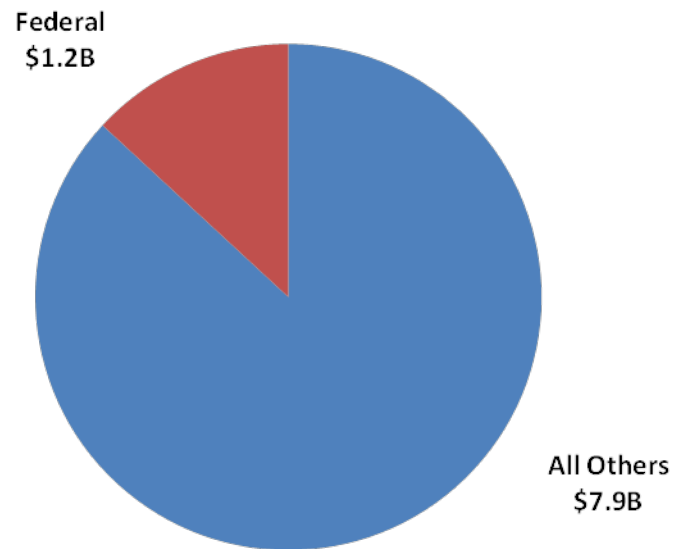
Economic risks

Federal funding

State funding

Labor costs

Federal funding in the City's budget



Questions, comments, thoughts?
