File No. 120533

Committee Item No. 5
Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee **Date** June 6, 2012

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Completed by: Victor Young **Date** June 1, 2012
Completed by: Victor Young **Date** 6-7-12

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

[Sale of General Obligation Bonds - Earthquake Safety and Emergency Response - Not to Exceed $40,410,000]

Resolution authorizing and directing the sale of not to exceed $40,410,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, Series 2012E; prescribing the form and terms of said bonds; authorizing the execution, authentication, and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related to said bonds; providing for the manner of sale of said bonds by competitive sale; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form of the preliminary official statement and the form and execution of the official statement relating to the sale of said bonds; approving the form of the continuing disclosure certificate; authorizing and approving modifications to documents; declaring the City's intent to reimburse certain expenditures; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds.

WHEREAS, In accordance with the Bond Election (as described below) and by Resolution No. 47-10 adopted by the Board of Supervisors (the "Board") of the City and County of San Francisco (the "City") on February 9, 2010, and signed by the Mayor of the City (the "Mayor") on February 26, 2010, the Board determined and declared that the public interest and necessity demands the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure described in Resolution No. 47-10; and,

WHEREAS, By Resolution No. 516-10 (the "Authorizing Resolution"), adopted by the Board on November 2, 2010, and signed by the Mayor on November 5, 2010, the City authorized the issuance of its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) (the "Bonds") in an aggregate principal amount not to exceed $412,300,000; and,

WHEREAS, By Resolution No. 515-10, adopted by the Board on November 2, 2010, and signed by the Mayor on November 5, 2010, the City authorized the first series of Bonds in an aggregate principal amount not to exceed $85,000,000; and,

WHEREAS, Pursuant to Resolution 515-10, on December 15, 2010, the City issued and delivered $79,520,000 of its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E; and,

WHEREAS, By Resolution 17-12, adopted by the Board on January 24, 2012, and signed by the Mayor on February 2, 2012, the City authorized the second series of Bonds in an aggregate principal amount not to exceed $192,000,000; and,

WHEREAS, Pursuant to Resolution 17-12, on March 8, 2012, the City issued and delivered $183,330,000 of its General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2012A; and,

WHEREAS, The City has issued and sold, to the date hereof, a total of $262,850,000 in aggregate principal amount of the Bonds; and there remains $149,450,000 of authorized and unissued Bonds; and,

WHEREAS, It is necessary and desirable to issue an additional aggregate principal amount of the Bonds not to exceed of $40,410,000 (the "Series 2012E Bonds"), to finance a portion of the costs of the Project (as defined in the Authorizing Resolution) and to pay the costs of issuance thereof; and,

WHEREAS, The Series 2012E Bonds are being issued pursuant to the Authorizing Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code, the Charter of the City (the "Charter"), and a proposition approved by not less than a two-thirds vote of the qualified electors of the City voting at a special election held in the City on June 10, 2010 (the "Bond Election") pursuant to Ordinance 40-10 adopted by the Board on February 23, 2010, and signed by the Mayor on February 26, 2010 (the "Bond Election Ordinance"); and,

WHEREAS, The City has paid and expects to pay certain expenditures in connection with the Project to be financed by the Series 2012E Bonds prior to the issuance and sale of the Series 2012E Bonds, and the City intends to reimburse itself for such prior expenditures from the proceeds of the Series 2012E Bonds; and,

WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986 (the "Reimbursement Regulations") requires the City to declare its reasonable official intent to reimburse prior expenditures with the proceeds of a subsequent borrowing; and,

WHEREAS, The Reimbursement Regulations require that any reimbursement allocation of proceeds of the Series 2012E Bonds to be made with respect to expenditures incurred prior to the issuance of the Series 2012E Bonds will occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is paid or (ii) the date on which the facilities are placed in service, but in no event later than three (3) years after the expenditure is paid;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the City and County of San Francisco, as follows:

Section 1. Recitals. All of the recitals in this Resolution are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance of the Series 2012E Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to the Bond Election, the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution.

Section 3. Documents. The documents presented to the Board and on file with the Clerk of the Board of Supervisors or his or her designee (the "Clerk of the Board of Supervisors") are contained in File No. 120533.

Section 4. Issuance and Sale of Series 2012E Bonds; Determination of Certain Terms; Designation. The Board authorizes the issuance and sale of not to exceed $40,410,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco General Obligation Bonds, Series 2012E," for the purposes set forth in the Bond Election Ordinance and Proposition B approved by the voters at the Bond Election.

The Director of Public Finance of the City or his or her designee (the "Director of Public Finance") is authorized to determine, for the Series 2012E Bonds, the sale date, the interest rates, the definitive principal amount, the maturity dates and the redemption dates, if any, and the terms of any optional or mandatory redemption, subject to the other specific provisions of this Resolution, including the following terms and conditions: (i) the Series 2012E Bonds shall not have a true interest cost in excess of 12% (as such term is defined in the Official Notice of Sale (as defined in Section 17)); and (ii) the Series 2012E Bonds shall not have a final maturity date after June 15, 2040. The Director of Public Finance is further authorized to give the Series 2012E Bonds such additional or other series designation, or to modify such series designation, as may be necessary or appropriate to distinguish the Series 2012E Bonds from every other series of Bonds and from other bonds issued by the City.

Section 5. Execution, Authentication and Registration of the Series 2012E Bonds. Each of the Series 2012E Bonds shall be in fully registered form without coupons in denominations of $5,000 or any integral multiple of that amount. The officers of the City are directed to cause the Series 2012E Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Controller is directed to cause the blanks in the Series 2012E Bonds to be completed in accordance with the Authorizing Resolution and the Bond Award (as defined in Section 13), to procure their execution by the proper officers of the City (including by facsimile signature if necessary or convenient) and authentication as provided in this Section, and to deliver the Series 2012E Bonds when so executed and authenticated to said purchaser in exchange for their purchase price, all in accordance with the Authorizing Resolution.

The Series 2012E Bonds and the certificate of authentication and registration, to be manually executed by the Treasurer of the City or his or her designee (the "City Treasurer"), and the form of assignment to appear on the Series 2012E Bonds shall be substantially in the form attached as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and which is declared to be a part of this Resolution as if fully set forth in this Resolution), with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution.

Only Series 2012E Bonds bearing a certificate of authentication and registration executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the benefits of the Authorizing Resolution and this Resolution, and such certificate of the City Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the Series 2012E Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, the Authorizing Resolution and this Resolution.

The Controller shall assign a distinctive letter, or number, or letter and number to each Series 2012E Bond authenticated and registered by the City Treasurer and shall maintain a record thereof which shall be available for inspection.

Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at the office of the City Treasurer or at the designated office of any registrar appointed by the City Treasurer, separate and sufficient books for the registration and transfer of Series 2012E Bonds, which books shall at all times be open to inspection, and upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2012E Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2012E Bond as its absolute owner for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

Section 7. Transfer or Exchange of Series 2012E Bonds. Any Series 2012E Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 6, by the person in whose name it is registered, in person or by the duly authorized attorney of such person in writing, upon surrender of such Series 2012E Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2012E Bond may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Series 2012E Bond shall be surrendered for transfer or exchange, the designated City officials shall execute (as provided in Section 5) and the City Treasurer shall authenticate and deliver a new Series 2012E Bond of the same interest rate and maturity in a like aggregate principal amount. The City Treasurer shall require the payment by any bond

owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Series of 2012A Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in Section 8(b)) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Series 2012E Bonds.

Section 8. Terms of the Series 2012E Bonds; General Redemption Provisions.

(a) Date of the Series 2012E Bonds. The Series 2012E Bonds shall be dated the date of their delivery or such other date (the "Dated Date") as is specified in the Bond Award.

(b) Payment of the Series 2012E Bonds. The principal of the Series 2012E Bonds shall be payable in lawful money of the United States of America to their owners, upon surrender at maturity or earlier redemption at the office of the City Treasurer. The interest on the Series 2012E Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the City Treasurer as the owner as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a Business Day (as defined below).

Except as may be otherwise provided in connection with any book-entry only system applicable to the Series 2012E Bonds, payment of the interest on any Series 2012E Bond shall be made by check mailed on the interest payment date to such owner at such owner's address as it appears on the registration books as of the Record Date; provided, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (each, a "Business Day"); and provided, further, that the registered owner of an aggregate principal amount of at least

$1,000,000 of Series 2012E Bonds may submit a written request to the City Treasurer on or before a Record Date preceding an interest payment date for payment of interest on the next succeeding interest payment date and thereafter by wire transfer to a commercial bank located within the United States of America.

For so long as any Series 2012E Bonds are held in book-entry form by a securities depository selected by the City pursuant to Section 11, payment shall be made to the registered owner of the Series 2012E Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2012E Bonds. The Series 2012E Bonds shall bear interest at rates to be determined upon the sale of the Series 2012E Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2012 (or such other date as may be designated in the Bond Award), and semiannually thereafter on June 15 and December 15 of each year. Each Series 2012E Bond shall bear interest from the interest payment date next preceding the date of its authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date; provided, that if, at the time of authentication of any Series 2012E Bond, interest is in default on the Series 2012E Bonds, such Series 2012E Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2012E Bonds or from the Dated Date if the first interest payment is not made.

(d) Optional Redemption. The Series 2012E Bonds shall be subject to optional redemption prior to maturity as provided in the Official Notice of Sale or the Bond Award.

(e) Mandatory Redemption. The Series 2012E Bonds shall be subject to mandatory redemption at par, by lot, in any year in which the purchaser has designated that the principal amount payable with respect to that year shall constitute a mandatory sinking fund payment as permitted by the Official Notice of Sale. Any Series 2012E Bonds subject to mandatory redemption shall be designated as such in the Official Notice of Sale or the Bond Award.

The principal of and interest on the Series 2012E Bonds subject to mandatory redemption shall be paid from the Series 2012E Bond Account (as defined in Section 9), pursuant to Section 9. In lieu of any such mandatory redemption for Series 2012E Bonds, at any time prior to the selection of Series 2012E Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2012E Bond Account to make such payment to the purchase, at public or private sale, of Series 2012E Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

(f) Selection of Series 2012E Bonds for Redemption. Whenever less than all of the outstanding Series 2012E Bonds are called for redemption on any date, the City Treasurer will select the maturities of the Series 2012E Bonds to be redeemed in the sole discretion of the City Treasurer. Whenever less than all of the outstanding Series 2012E Bonds maturing on any one date are called for redemption on any one date, the City Treasurer will select the Series 2012E Bonds or portions thereof, in denominations of $5,000 or any integral multiple thereof, to be redeemed from the outstanding Series 2012E Bonds maturing on such date not previously selected for redemption, by lot, in any manner which the City Treasurer deems fair.

(g) Notice of Redemption. The date on which Series 2012E Bonds that are called for redemption are to be presented for redemption is called the "Redemption Date." The City Treasurer shall mail, or cause to be mailed, notice of any redemption of Series 2012E Bonds,

postage prepaid, to the respective registered owners at the addresses appearing on the bond registration books not less than twenty (20) nor more than sixty (60) days prior to the Redemption Date. The notice of redemption shall (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Series 2012E Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2012E Bonds of such maturity to be redeemed, and in the case of any Series 2012E Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (d) state the CUSIP number, if any, of each Series 2012E Bond to be redeemed; (e) require that such Series 2012E Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Series 2012E Bonds or portions of Series 2012E Bonds to be redeemed will cease to accrue after the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds or other event specified in the notice of redemption as provided in subsection (j) of this Section 8.

The actual receipt by the owner of any Series 2012E Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings for the redemption of such Series 2012E Bonds or the cessation of accrual of interest on such Series 2012E Bonds on the Redemption Date.

Notice of redemption also shall be given, or caused to be given by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv) to the extent acceptable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate described in Section 19.

The notice or notices required for redemption shall be given by the City Treasurer or any agent appointed by the City. A certificate of the City Treasurer or such other appointed agent of the City that notice of redemption has been given to the owner of any Series 2012E Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2012E Redemption Account. At the time the City Treasurer or the Controller of the City or his or her designee (the "Controller") determines to optionally call and redeem any of the Series 2012E Bonds, the City Treasurer or his or her agent shall establish a redemption account to be described or known as the "General Obligation Bonds, Series 2012E Redemption Account" (the "Series 2012E Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2012E Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2012E Bonds designated in said notice of redemption, subject to the provisions of subsection (j) of this section. Said moneys must be set aside in the Series 2012E Redemption Account solely for the purpose of, and shall be applied on or after the Redemption Date to, payment of the redemption price of the Series 2012E Bonds to be redeemed upon presentation and surrender of such Series 2012E Bonds. Any interest due on or prior to the Redemption Date may be paid from the Series 2012E Bond Account as provided in Section 9 or from the Series 2012E Redemption Account. Moneys held from time to time in the Series 2012E Redemption Account shall be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. If, after all of the Series 2012E Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Series 2012E Redemption Account, said moneys shall be transferred to the General Fund of the City or to such other fund or account as required by applicable law; provided, that

if said moneys are part of the proceeds of refunding bonds, said moneys shall be transferred pursuant to the resolution authorizing such refunding bonds.

(i) Effect of Redemption. When notice of optional redemption has been given substantially as provided in this Resolution, and when the amount necessary for the redemption of the Series 2012E Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2012E Redemption Account, the Series 2012E Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of said Series 2012E Bonds at the place specified in the notice of redemption, such Series 2012E Bonds shall be redeemed and paid at said redemption price out of said Series 2012E Redemption Account. No interest will accrue on such Series 2012E Bonds called for redemption after the Redemption Date and the registered owners of such Series 2012E Bonds shall look for payment of such Series 2012E Bonds only to the Series 2012E Redemption Account. All Series 2012E Bonds redeemed shall be canceled immediately by the City Treasurer and shall not be reissued.

(j) Conditional Notice of Redemption; Rescission of Redemption. Any notice of optional redemption given as provided in Section 8(g) may provide that such redemption is conditioned upon: (i) deposit in the Series 2012E Redemption Account of sufficient moneys to redeem the Series 2012E Bonds called for optional redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. If conditional notice of redemption has been given substantially as provided in this subsection (j), and on the scheduled Redemption Date (i) sufficient moneys to redeem the Series 2012E Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2012E Redemption Account, or (ii) any other event specified in the notice of redemption as a condition to the redemption has not occurred, then (y) the Series

2012E Bonds for which conditional notice of redemption was given shall not be redeemed on the anticipated Redemption Date and shall remain Outstanding for all purposes of this Resolution, and (z) the redemption not occurring shall not constitute a default under this Resolution or the Authorizing Resolution.

The City may rescind any optional redemption and notice of it for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the owners of all Series 2012E Bonds so called for redemption. Notice of any such rescission of redemption shall be given in the same manner notice of redemption was originally given. The actual receipt by the owner of any Series 2012E Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed shall not affect the validity of the rescission.

Section 9. Series 2012E Bond Account. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) Bond Account (the "Bond Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2012E Bond Subaccount" (the "Series 2012E Bond Account"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2012E Bond Account shall be retained in the Series 2012E Bond Account.

On or prior to the date on which any payment of principal of or interest on the Series 2012E Bonds is due, including any Series 2012E Bonds subject to mandatory redemption on said date, the City Treasurer shall allocate to and deposit in the Series 2012E Bond Account, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2012E Bond Account, is sufficient to pay principal of and interest on the Series 2012E Bonds on such date

On or prior to the date on which any Series 2012E Bonds are to be redeemed at the option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit in the Series 2012E Redemption Account, from amounts held in the Bond Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when added to any available moneys contained in the Series 2012E Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2012E Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Series 2012E Bonds as is necessary or convenient to permit the optional redemption of the Series 2012E Bonds.

Amounts in the Series 2012E Bond Account may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2012E Bond Account with other City moneys or (ii) deposit amounts credited to the Series 2012E Bond Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2012E Bond Account shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

Section 10. Series 2012E Project Account. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) Project Account (the "Project Account") created pursuant to the Authorizing Resolution to be designated the "General Obligation Bonds, Series 2012E Project Subaccount" (the "Series 2012E Project Account"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2012E Project Account shall be retained in the Series 2012E Project Account. Amounts in the Series 2012E Project Account shall be expended in accordance with the provisions of the Authorizing

Resolution for the improvement, retrofitting, rehabilitation and completion of the Project (as defined in the Authorizing Resolution).

Amounts in the Series 2012E Project Account may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2012E Project Account with other City moneys or (ii) deposit amounts credited to the Series 2012E Project Account into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2012E Project Account (including interest earnings) shall be accounted for separately notwithstanding any such comingling or separate deposit by the City Treasurer.

The City Treasurer is authorized to pay or cause to be paid from the proceeds of the Series 2012E Bonds, on behalf of the City, the costs of issuance associated with the Series 2012E Bonds. Costs of issuance of the Series 2012E Bonds shall include, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, the fees and expenses of paying agents, registrars, financial consultants, disclosure counsel and co-bond counsel, and the reimbursement of departmental expenses in connection with the issuance of the Series 2012E Bonds.

Section 11. Appointment of Depositories and Other Agents. The City Treasurer is authorized and directed to appoint one or more depositories as he or she may deem desirable and the procedures set forth in Section 6, Section 7 and Section 8 relating to registration of ownership of the Series 2012E Bonds and payments and redemption notices to owners of the Series 2012E Bonds may be modified to comply with the policies and procedures of such depository. The City will not have any responsibility or obligation to any purchaser of a beneficial ownership interest in any Series 2012E Bonds or to any participants in such a depository with respect to (i) the accuracy of any records maintained by such securities depository or any participant therein; (ii) any notice that is permitted or required to be given to

the owners of Series 2012E Bonds under this Resolution; (iii) the selection by such securities depository or any participant therein of any person to receive payment in the event of a partial redemption of Series 2012E Bonds; (iv) the payment by such securities depository or any participant therein of any amount with respect to the principal or redemption premium, if any, or interest due with respect to Series 2012E Bonds; (v) any consent given or other action taken by such securities depository as the owner of Series 2012E Bonds; or (vi) any other matter.

The Depository Trust Company ("DTC") is appointed as depository for the Series 2012E Bonds. The Series 2012E Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2012E Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2012E Bond is registered in book-entry form, each Series 2012E Bond shall be registered in the name of Cede & Co. or in the name of such successor nominee as may be designated from time to time by DTC or any successor as depository.

The City Treasurer is also authorized and directed to appoint one or more agents as he or she may deem necessary or desirable. To the extent permitted by applicable law and under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent, rebate calculation agent, escrow agent or registrar for the Series 2012E Bonds or may assist the City Treasurer in performing any or all of such functions and such other duties as the City Treasurer shall determine. Such agents shall serve under such terms and conditions as the City Treasurer shall determine. The City Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

Section 12. Defeasance Provisions. Payment of all or any portion of the Series 2012E Bonds may be provided for prior to such Series 2012E Bonds' respective stated maturities by

irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent):

(a) An amount of cash equal to the principal amount of all of the Series 2012E Bonds or portion thereof to be defeased, and all unpaid interest thereon to maturity, except that in the case of any portion of the Series 2012E Bonds that is to be redeemed prior to such Series 2012E Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or

(b) Defeasance Securities (as defined below) not subject to call, except as provided below in the definition of that term, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and premium, if any, due on the portion of the Series 2012E Bonds to be redeemed, as such principal and interest come due; provided, that, in the case of Series 2012E Bonds that are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 or an irrevocable election to give such notice shall have been made by the City; then, all obligations of the City with respect to said outstanding Series 2012E Bonds shall cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited pursuant to paragraphs (a) or (b) of this Section 12 to the owners of such Series 2012E Bonds all sums due with respect thereto and the obligations of the City pursuant to Section 18; and provided further, that the City shall have received an opinion of nationally

recognized bond counsel that provision for the payment of such Series 2012E Bonds has been made in accordance with this Section 12.

For purposes of this Section 12, "Defeasance Securities" shall mean any of the following that at the time are legal investments under the laws of the State of California for the moneys proposed to be invested:

(1) United States Obligations (as defined below); and

(2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the Series 2012E Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated, without regard to any numerical modifier, plus or minus sign or other modifier, at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by such Rating Agencies on such United States Obligations.

For purposes of this Section 12, "United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form

or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, not lower than the rating then maintained by such Rating Agencies on United States Obligations described in clause (i) above.

For purposes of this Section 12, "Rating Agencies" means Moody's Investors Service, Inc., Fitch Ratings, and Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any other nationally recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date hereof.

Section 13. Official Notice of Sale; Receipt of Bids; Bond Award.

(a) Official Notice of Sale. The form of proposed Official Notice of Sale inviting bids for the Series 2012E Bonds (the "Official Notice of Sale") submitted to the Board is approved as the Official Notice of Sale inviting bids for the Series 2012E Bonds, with such changes, additions and modifications as may be made in accordance with Section 20. The Director of Public Finance is authorized and directed to cause to be mailed or otherwise circulated to prospective bidders for the Series 2012E Bonds copies of the Official Notice of Sale, subject to such corrections, revisions or additions as may be acceptable to the Director of Public Finance.

(b) Receipt of Bids. Bids shall be received on the date designated by the Director of Public Finance pursuant to Section 4.

(c) Bond Award. As provided in the Official Notice of Sale, the City may reject any and all bids received for any reason. The Controller is authorized to award the Series 2012E Bonds to the responsible bidder whose bid (a) is timely received and conforms to the Official Notice of Sale, except to the extent informalities and irregularities are waived by the City as

permitted by the Official Notice of Sale, and (b) represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale. The award, if made, shall be set forth in a certificate signed by the Controller setting forth the terms of the Series 2012E Bonds and the original purchasers (the "Bond Award"). The Controller shall provide a copy of the Bond Award as soon as practicable to the Clerk of the Board of Supervisors and the Director of Public Finance; provided, that failure to provide such copy shall not affect the validity of the Bond Award.

Section 14. Publication of Notice of Intention to Sell Bonds. The form of proposed Notice of Intention to Sell the Series 2012E Bonds (the "Notice of Intention to Sell Bonds") submitted to the Board is approved as the Notice of Intention to Sell the Series 2012E Bonds, and the Director of Public Finance is authorized and directed to cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be made in accordance with Section 20, to be published once in The Bond Buyer or another financial publication generally circulated throughout the State of California.

Section 15. Sale of Series 2012E Bonds; Solicitation of Competitive Bids. The Board authorizes the sale of the Series 2012E Bonds by solicitation of competitive bids for the purchase of the Series 2012E Bonds on the date and at the place determined in accordance with the Official Notice of Sale and Section 4.

Section 16. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2012E Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2012E Bond Account; (b) premium, if any, shall be deposited into the Series 2012E Bond Account; and (iii) remaining proceeds of sale shall be deposited into the Series 2012E Project Account.

Section 17. Official Statement. The form of proposed Preliminary Official Statement describing the Series 2012E Bonds (the "Preliminary Official Statement") submitted to the

Board is approved as the Preliminary Official Statement describing the Series 2012E Bonds, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20. The Controller is authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), and to sign a certificate to that effect. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed to prospective bidders for the Series 2012E Bonds the Preliminary Official Statement in substantially the form of the Preliminary Official Statement approved by this Resolution, as completed, supplemented, corrected or revised. The Controller is authorized and directed to approve, execute, and deliver the final Official Statement with respect to the Series 2012E Bonds, which final Official Statement shall be in the form of the Preliminary Official Statement, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20 and as are permitted under the Rule. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed the final Official Statement to all actual initial purchasers of the Series 2012E Bonds.

Section 18. Tax Covenants.

(a) General. The City covenants with the holders of the Series 2012E Bonds that, notwithstanding any other provisions of this Resolution, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Series 2012E Bonds under Section 103 of the Code, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section. The City shall not, directly

or indirectly, use or permit the use of proceeds of the Series 2012E Bonds or any of the property financed or refinanced with proceeds of the Series 2012E Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion of interest on the Series 2012E Bonds from gross income for federal income tax purposes.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Series 2012E Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Series 2012E Bonds or any of the property financed or refinanced with proceeds of the Series 2012E Bonds, or any portion thereof, or any other funds of the City, that would cause the Series 2012E Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Series 2012E Bonds are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Series 2012E Bonds as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of the Series 2012E Bonds, or of any property financed or refinanced by the Series 2012E Bonds, or other funds of the City, or take or omit to take any action, that would cause the Series 2012E Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Series 2012E Bonds.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Series 2012E Bonds or any other funds of the City, or take or omit to take any other action, that would cause the Series 2012E Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Information Reporting. The City shall take or cause to be taken all necessary action to comply with the information reporting requirement of Section 149(e) of the Code with respect to the Series 2012E Bonds.

(f) Hedge Bonds. The City shall not make any use of the proceeds of the Series 2012E Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Series 2012E Bonds to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code.

(g) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 18, the City covenants that it will comply with the provisions of the Tax Certificate to be executed by the City with respect to the Series 2012E Bonds, dated the date of issuance of the Series 2012E Bonds, as such Tax Certificate may be amended from time to time. This covenant shall survive payment in full or defeasance of the Series 2012E Bonds.

Section 19. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate (the "Continuing Disclosure Certificate"), to be executed by the City to permit the original purchasers of the Series 2012E Bonds to comply with the Rule, submitted to the Board is hereby approved as the Continuing Disclosure Certificate, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20. The Controller is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the original purchasers of the Series 2012E Bonds.

Section 20. Modification to Documents. Any City official authorized by this Resolution to execute any document is further authorized, in consultation with the City Attorney, to approve and make such changes, additions, amendments or modifications to the document or documents such official is authorized to execute as may be necessary or advisable (provided, that such changes, additions, amendments or modifications shall not authorize an aggregate principal amount of Series 2012E Bonds in excess of $40,410,000 or in any way increase the risks or obligations of the City in a manner inconsistent with the terms herein approved). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 21. Ratification. All actions previously taken by officials, employees and agents of the City with respect to the sale and issuance of the Series 2012E Bonds are approved, confirmed and ratified.

Section 22. Relationship to Authorizing Resolution. In the event of any conflict between this Resolution and the Authorizing Resolution, the terms of this Resolution shall control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing Resolution, the City is not obligated to transfer money from the General Fund of the City to the Bond Account to pay the principal of or interest on the Series 2012E Bonds.

Section 23. Reimbursement. The City declares its official intent to reimburse prior expenditures of the City incurred prior to the issuance and sale of the Series 2012E Bonds in connection with the Project or portions thereof to be financed by the Series 2012E Bonds. The Board declares the City's intent to reimburse the City with the proceeds of the Series 2012E Bonds for the expenditures with respect to the Project (the "Expenditures" and each, an "Expenditure") made on and after that date that is no more than 60 days prior to adoption of

this Resolution. The City reasonably expects on the date of adoption of this Resolution that it will reimburse the Expenditures with the proceeds of the Series 2012E Bonds.

Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Series 2012E Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum aggregate principal amount of the Series 2012E Bonds expected to be issued for the Project is $40,410,000. The City shall make a reimbursement allocation, which is a written allocation by the City that evidences the City's use of proceeds of the Series 2012E Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 24. Accountability Reports. The Series 2012E Bonds are subject to accountability requirements under the City's Administrative Code and the Bond Election Ordinance. Accountability report(s) with respect to the Series 2012E Bonds shall be submitted at the time(s) and in the manner required by the Administrative Code and the Bond Election Ordinance.

Section 25. Citizens' Oversight Committee. The Series 2012E Bonds are subject to, and incorporate by reference, the applicable provisions of the San Francisco Administrative

Code Sections 5.30-5.36 (the "Citizens' General Obligation Bond Oversight Committee"), and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of the Series 2012E Bonds shall be deposited into a fund established by the Controller's Office and appropriated by the Board at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

Section 26. CEQA Findings. The Board hereby adopts and incorporates by reference the findings required by the California Environmental Quality Act ("CEQA"), California Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative Code Sections 15000 et seq., ("CEQA Guidelines"), and the San Francisco Administrative Code Chapter 31 ("Chapter 31"), all as set forth in Resolution 47-10, adopted by the Board on February 9, 2010; provided however, except for planning and feasibility studies, no bond proceeds shall be spent on projects of or relating to Awss cisterns or Awss pipe improvements, until such time as the Board has determined to proceed with such projects and the necessary CEQA findings and determinations have been made in accordance with law.

Section 27. Planning Code. The Board hereby adopts and incorporates by reference the findings and declarations relative to the conformance of the Bonds to (i) the priority policies of Section 101.1(b) of the San Francisco Planning Code, (ii) Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the San Francisco Administrative Code, and (iii) consistency with the City's General Plan, all as more fully set forth in Resolution No.47-10, adopted by this Board on February 9, 2010.

Section 28. General Authority. The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each authorized and directed in the name and on behalf of the City to take any and all steps and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents, and other documents as may be necessary to give effect to the provisions of this Resolution,

including but not limited to letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2012E Bonds.

APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By: _____
Mark D. Blake
Deputy City Attorney

Items 5 and 6 Files 12-0533 &12-0527	Departments: Public Utilities Commission (PUC) Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 12-0533: Resolution authorizing and directing the sale of up to $40,410,000 of Earthquake Safety and Emergency Response General Obligation Bonds.
- File 12-0527: Ordinance appropriating up to $40,410,000 of 2012 Earthquake Safety and Emergency Response Bond proceeds, including (a) $38,000,000 to PUC for planning, design and construction for the Auxiliary Water Supply System (AWSS), (b) $485,000 for oversight, accountability and bond issuance costs, (d) $1,925,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire $40,410,000 on Controller's Reserve pending the sale of the bonds.

Key Points

- On June 8, 2010, San Francisco voters approved Proposition B, authorizing the issuance of $412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds to finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS), and other firefighting infrastructure and facilities related to earthquake safety.
- To date, (a) $79,520,000 has been issued and appropriated from the first ESER General Obligation Bond sale, and (b) $183,330,000 has been issued and appropriated from the second ESER General Obligation Bond sale, for a total of $262,850,000. Of the total $262,850,000 issued and appropriated to date, a total of $8,396,928 has been appropriated for the City's Auxiliary Water Supply System (AWSS) project.

Fiscal Impacts

- Excluding bond issuance and related costs, the total budget for the AWSS project is $102,400,000. To date, $8,396,928 of project costs have been appropriated. As of May 25, 2012, the PUC expended and/or encumbered $3,795,155, or 45.2 percent of the funds appropriated. Based on PUC's projections, $8,152,743 will be expended and/or encumbered by August 31, 2012.
- The proposed resolution authorizing the sale of up to $40,410,000 in ESER General Obligation Bonds will have a projected annual interest rate of 6.0 percent over approximately 20 years, with estimated total debt service payments of $66,769,252, including $28,284,252 in interest and $38,485,000 in principal, with estimated average annual debt service payments of $3,338,463. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of $500,000 would pay average annual additional Property Taxes to the City of approximately $10.37 per year.
- The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. As of May 1, 2012, there was $1,654,741,441 of General Obligation Bonds outstanding, or approximately 1.04% of the $158,649,887,998 total net assessed value of property in the City. If the proposed amount of $38,485,000 of ESER General Obligation Bonds are issued, the outstanding General Obligation Bonds would total $1,693,226,441, or approximately 1.07% of the total net assessed value of property.

Recommendation

- Approve the proposed resolution (File 12-0533) and the proposed ordinance (File 12-0527), subject to approval by the City's Capital Planning Committee.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances[1] and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of $412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS)[2] and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is $412,300,000.

Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget

Description	Total Budget
Neighborhood Fire Stations[3]	$64,000,000
Public Safety Building	239,000,000
Department of Public Works (DPW) Subtotal	$303,000,000
Auxiliary Water Supply System (AWSS)	$34,400,000
Firefighting Cisterns	36,000,000
Firefighting Pipes and Tunnels	32,000,000
Public Utilities Commission (PUC) Subtotal	102,400,000
Oversight and Cost of Bond Issuance	6,900,000
Total ESER Budget	$412,300,000
Source: San Francisco Department of Public Works	

The 19 Fire Stations and the new Public Safety Building projects totaling $303,300,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns[4], and firefighting, pipes and tunnels totaling $102,400,000 will be managed by the Public Utilities Commission (PUC). In addition, as shown in Table 1 above, an estimated $6,900,000 is budgeted to provide bond oversight, including 0.1% allocation for the Citizens' General

[1] In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.
[2] The AWSS is a stand-alone high-pressure firefighting water system for suppressing fires following an earthquake or from multiple-alarm fires.
[3] Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 22, 28, 31, 38, 40, 41, 42, 36, 43, 44, Fire Boat Headquarters #35 at the Port, and the Equipment Logistics Center #45.
[4] The PUC maintains 188 underground cisterns throughout the City, which store water available for fire fighting to supplement the domestic water supply and the AWSS.

Obligation Bond Oversight Committee and 0.2% for the City Services Auditor and to fund the various costs to issue the General Obligation bonds.

On November 2, 2010, the Board of Supervisors approved (a) a resolution (File 10-1255; Resolution 516-10) authorizing the issuance of up to $412,300,000 ESER General Obligation Bonds. The Board of Supervisors authorized the issuance and appropriation of (a) up to $85,000,000 for the first series of these ESER bonds on November 2, 2010 (Resolution 515-10), and (b) up to $192,000,000 for the second series of these ESER bonds on January 24, 2012 (Resolution 17-12). As shown in Table 2 below, a total of $79,520,000 was issued and appropriated from the first ESER General Obligation Bond sale and a total of $183,330,000 was issued and appropriated from the second ESER General Obligation Bond sale for a total of $262,850,000 to date.

Table 2: Earthquake Safety and Emergency Response General Obligation Bond Authorization, Issuances to Date, and Remaining Balance

Component	Budget	First	Second	Total	Future
Public Safety Building	239,000,000	66,596,285	160,620,973	227,217,258	11,782,743
Neighborhood Fire Stations	64,000,000	3,627,397	21,073,913	24,701,310	39,298,690
Auxiliary Water Supply System	102,400,000	8,396,928	0	8,396,928	**94,003,072**
Subtotal	**405,400,000**	**78,620,610**	**181,694,886**	**260,315,496**	**145,084,504**
Controller's Audit Fund (two tenths of 1%)	810,800	157,241	363,390	520,631	290,169
General Obligation Bond Oversight Committee (one tenth of 1%)	405,400	79,520	183,330	262,850	142,550
Cost of Issuance (Estimated)	5,683,800	662,629	1,088,394	1,751,023	3,932,777
Subtotal	**6,900,000**	**899,390**	**1,635,114**	**2,534,504**	**4,365,496**
Total ESER1	**412,300,000**	**79,520,000**	**183,330,000**	**262,850,000**	**149,450,001**

As shown in Table 2 above, of the total $262,850,000 issued and appropriated to date, a total of $8,396,928 has been appropriated for the Auxiliary Water Supply System (AWSS) project. The AWSS project is an overall repair, improvement, seismic upgrade and expansion of the City's firefighting water system that includes the overall physical plant, reservoirs, tanks, pipelines, tunnels and cisterns. The major AWSS facilities include: the Twin Peaks Reservoir, Ashbury Heights Tank, Jones Street Tank, Pumping Stations #1 and #2, and 188 existing reinforced-concrete or brick cisterns located throughout the City.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 12-0533) would authorize the sale of up to $40,410,000 of ESER General Obligation (GO) Bonds for the AWSS project and related costs, which would be the third in the series of the total $412,300,000 Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend beyond June 15, 2040;
- Provides for the execution, authentication and registration of the Earthquake Safety and Emergency Response Bonds, Series 2012E;
- Sets the terms for transferring, redeeming and defeasance of the bonds;

- Requires special Series 2012E Bond subaccounts for payment of principal and interest and for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell the Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended and allows for reimbursement of prior expenditures incurred on the AWSS project;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City;
- Subjects the Series 2012E Bonds to the accountability requirements of the Administrative Code and the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Approves and incorporates prior California Environmental Quality Act (CEQA), City Administrative Code and Planning Code findings and determinations, as previously adopted by the Board of Supervisors on February 9, 2010.

The proposed ordinance (File 12-0527) would appropriate the entire $40,410,000 under this third ESER General Obligation Bond sale, including (a) $38,000,000 to the PUC for planning, design, construction administration and construction of the AWSS, (b) $81,877 for bond issuance costs, (c) $288,638 for underwriters discount, (d) $76,000 for the 0.2 percent for the Controller's City Services Auditor allocation, (e) $38,485 for the 0.1 percent General Obligation Bond Oversight Committee allocation, (f) , $1,925,000 reserve to allow for fluctuations in market conditions and the actual underwriters discount or premium charged to the City based on bids received the day of the bond sale, and (g) placing the entire $40,410,000 on Controller's Reserve pending the sale of the bonds.

According to Mr. David Myerson, PUC Project Manager for AWSS, the AWSS is currently in the planning and design phases. Mr. Myerson advises that, in response to a Request for Proposal (RFP) issued in May 2011, the PUC received three proposals to provide planning and alternatives analysis support services for the AWSS project from (1) Water Resources Engineering, (2) RMC, and (3) AECOM/AGS Joint Venture. Mr. Myerson advises that based on the PUC's evaluation, AECOM/AGS received 88 points out of a total of 100, the highest ranked proposal. On September 13, 2011, the PUC awarded the AWSS planning and alternatives analysis support services agreement to AECOM/AGS for the two-year period from October 1, 2011 through September 30, 2013 for a not-to-exceed $2,000,000. In addition, Mr. Myerson advises that PUC staff are currently working on planning and design of various AWSS facilities.

Mr. Myerson advises that the requested $38,000,000 for planning, design, construction administration and construction of the AWSS would be expended as shown in Table 3 below:

Table 3: Project Expenditures

Project	Pre-Construction	Construction	Total
Jones Street Tank	$637,648	$2,279,000	**$2,916,648**
Ashbury Heights Tank	960,553	2,832,000	**3,792,553**
Twin Peaks Reservoir	711,752	2,314,000	**3,025,752**
Pumping Station 1	660,611	3,337,000	**3,997,611**
Pumping Station 2	1,488,041	0	**1,488,041**
Planning Study	415,967	0	**415,967**
Pipes/tunnels #1	432,160	0	**432,160**
Pipes/tunnels #2	175,000	0	**175,000**
Pipes/tunnels #3	0	0	**0**
Cisterns #1	872,800	2,010,983	**2,883,783**
Cisterns #2	2,274,875	6,932,015	**9,206,890**
Cisterns #3	1,990,420	6,000,000	**7,990,420**
Cisterns #4	1,675,175	0	**1,675,175**
Total	**$12,295,002**	**$25,704,998**	**$38,000,000**

Table 4 below provides a breakdown of the $485,000 for the cost of bond oversight and issuance of the proposed not-to-exceed $40,140,000 ESER General Obligation Bond sale and appropriation.

Table 4: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance[5]	$81,877
Underwriter's Discount[6]	288,638
City Auditor 0.1% allocation for the General Obligation Bond Oversight Committee Audits	38,485
City Services Auditor 0.2% allocation for the Controller's Audit Fund	76,000
Total	**$485,000**

[5] Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

[6] The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

FISCAL IMPACTS

Project Expenditures and Encumbrances To Date for the AWSS Project

Excluding bond issuance and related costs, the total budget for the AWSS project is $102,400,000 of PUC project-related costs, as shown in Table 1 above. As shown in Table 5 below, to date, a total of $8,396,928 has been appropriated for the PUC's AWSS project-related costs. If the requested not to exceed $38,000,000 of PUC project-related costs are approved, a total of $46,396,928 would be issued and appropriated for the AWSS project, leaving a remaining balance of $56,003,072 ($102,400,000 total project-related budget less $46,396,928 previously issued and appropriated for the project).

As shown in Table 5 below, of the total $8,396,928 appropriated to date, as of May 25, 2012, the PUC had expended and/or encumbered a total of $3,795,155, or 45.2 percent of the total funds appropriated, leaving an unexpended balance of $4,601,773.

Table 5: Total Appropriations, Expenditures, Encumbrances and Remaining Balance as of May 25, 2012

Project	Total Appropriation	Expenditures to Date	Encumbrances	Unexpended and/or Unencumbered Balance
Auxiliary Water Supply System	$1,316,964	$0	$0	$1,316,964
Jones Street Tank	543,934	368,280	11,922	163,731
Ashbury Heights Tank	316,335	245,323	17,267	53,745
Twin Peaks Reservoir	605,040	290,907	64,430	249,703
Pump Station No. 2	577,142	351,674	62,458	163,030
Pump Station No. 1	492,500	201,474	31,741	259,265
Cisterns Contract No. 1	546,312	322,368	187	223,757
Cisterns Contract No. 2	519,401	8,443	89,800	421,158
Cisterns Contract No. 3	79,000	0	0	79,000
Pipes & Tunnels Modernization Study	2,998,500	976,065	547,407	1,475,024
Pipe/Tunnel #1	401,800	205,405	0	196,395
Total	**$8,396,928**	**$2,969,941***	**$825,214***	**$4,601,773**

*Total Expenditures and Encumbrances are $3,795,155.

Based on projections provided by Mr. Myerson, PUC will expend a total of $8,152,743 by August 31, 2012, assuming payment of $1,316,963 to the Department of Public Works for pre-bond incurred costs, leaving a remaining unexpended and unencumbered balance of $244,186 available from the initial $8,396,929 appropriation. Therefore, as shown in Table 3 above, the PUC is requesting the issuance and appropriation of an additional $38,000,000 of project expenditures.

Requested General Obligation Bond Debt Financing

According to Ms. Nadia Sesay, Director of Public Finance, the proposed not to exceed $40,410,000 ESER General Obligation Bonds are expected to be sold in August, 2012, together with up to $265,185,000 of San Francisco General Hospital General Obligation Bonds (File 12-0532 on the June 6, 2012 calendar for the Budget and Finance Committee), for a total not-to-exceed $305,595,000 General Obligation Bond sale. However, as noted in Attachment I, a memo from Ms. Sesay, the office only intends to issue $38,485,000[7] in Earthquake Safety and Emergency Response General Obligation Bonds and $ 252,555,000[8] of SFGH Improvement General Obligation Bonds for a total of $291,040,000.

Ms. Sesay advised that the not-to-exceed $40,410,000 ESER General Obligation Bonds are projected to have a conservative annual interest rate of 6.0 percent over approximately 20 years, with annual debt service payments extending from 2012 through 2032. Assuming a 20-year term, these bonds will result in estimated total debt service payments of $66,769,252, including $28,284,252 in interest and $38,485,000 in principal, with estimated average annual debt service payments of $3,338,463.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, will average $0.0021 per $100 of assessed valuation over the anticipated 20-year term of the Bonds. A single family residence with an assessed value of $500,000, assuming a homeowners exemption of $7,000, would pay average annual additional Property Taxes to the City of approximately $10.37 per year ($500,000-$7,000 / $100 x $0.0021) if the proposed amount of $38,485,000 in General Obligation Bonds are issued and appropriated.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. The FY 2011-12 total net assessed value of property in the City is $158,649,887,998. According to Ms. Sesay, as of May 1, 2012, there was $1,654,741,441 of General Obligation Bonds outstanding, or approximately 1.04% of the total net assessed value of property in the City. If the proposed amount of $38,485,000 in General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total $1,693,226,441, or approximately 1.07% of the total net assessed value of property.

As noted above, the Office of Public Finance intends to issue only $38,485,000 of the subject not to exceed $40,410,000 ESER General Obligation Bonds as well as $252,555,000 of a not to exceed amount of $265,185,000 of San Francisco General Hospital General Obligation Bonds (File 12-0532 on the June 6, 2012 calendar for the Budget and Finance Committee) in August 2012, or a total issuance of $291,040,000. If the proposed not to exceed total of $291,040,000 of

[7] The difference between the requested not to exceed $40,410,000 ESER Bonds and the $38,485,000 principal (see details of proposed legislation above) is $1,925,000 for the reserve to allow for fluctuations in the market.

[8] The difference between the proposed $265,185,000 SFGH Improvement Bonds and the $252,555,000 principal is $12,630,000 for the reserve to allow for fluctuations in the market.

General Obligation Bonds are issued, the City's total outstanding General Obligation Bonds would total $1,945,781,441, or approximately 1.23 % of the total net assessed value of property.

POLICY CONSIDERATION

The Budget and Legislative Analyst notes that, as of the writing of this report, the Capital Planning Committee has not yet reviewed and recommended the PUC's proposed issuance and appropriation of $40,410,000 of Earthquake Safety and Emergency Response General Obligation Bonds for the City's Auxiliary Water Supply System. According to Mr. Brian Strong, Director of the City's Capital Planning Program, the City's Capital Planning Committee will be reviewing the PUC's requested issuance and appropriation of the subject $40,410,000 of ESER General Obligation (GO) Bonds for the AWSS project on June 4, 2012, two days before the June 6, 2012 Budget and Finance Committee meeting. Therefore, the Budget and Legislative Analyst recommends approval of the proposed sale and appropriation in this subject resolution and ordinance of the not to exceed $40,410,000 of ESER General Obligation Bonds, subject to approval of the City's Capital Planning Committee.

RECOMMENDATION

Approve the proposed resolution (File 12-0533) and the proposed ordinance (File 12-0527), subject to approval by the City's Capital Planning Committee.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

REVISED MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: City and County of San Francisco General Obligation Bonds, Series 2012D General Hospital & Trauma Center

City and County of San Francisco General Obligation Bonds, Series 2012E Earthquake Safety and Emergency Response Bonds

DATE: May 30, 2012

I respectfully request that the Board of Supervisors consider for review and recommendation to the Board of Supervisors the issuance of general obligation bonds financing the San Francisco General Hospital & Trauma Center Seismic Retrofit and the Earthquake Safety and Emergency Response program. In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents were introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012.

Background:

San Francisco General Hospital & Trauma Center
A two-thirds majority of voters of the City approved Proposition A in November 2008 ("Proposition A"), which authorized the issuance of not to exceed $887,400,000 in general obligation bonds to build and/or rebuild and improve the earthquake safety of San Francisco General Hospital and Trauma Center (the "General Hospital Project"). The resolution authorizing the sale of City and County of San Francisco general obligation bonds (San Francisco General Hospital and Trauma Center, 2008) authorizes the issuance of not to exceed $265,185,000 of City and County of San Francisco General Obligation Bonds Series 2012D (San Francisco General Hospital Improvement Bonds, 2008) to finance the purchase, construction, mobilization, project control and other program costs of the General Hospital Project.

Of the $887,400,000 authorized to be issued by Proposition A, $131,650,000 was issued in March 2009 and $294,695,000 was issued in March 2010. The Bonds will be the third series of bonds to be issued under Proposition A for the General Hospital Project.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 336 SAN FRANCISCO, CALIFORNIA 94102
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RECYCLED PAPER

Earthquake Safety & Emergency Response Bonds
A two-thirds majority of voters of the City approved Proposition B in June 2010 (the "Proposition B"), which authorized the issuance of not to exceed $412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure (the "Earthquake Safety Projects"). The proposed resolution authorizes the issuance of not to exceed $40,410,000 of City and County of San Francisco General Obligation Bonds, Series 2012E (Earthquake Safety and Emergency Response Bonds, 2010).

Of the $412,300,000 authorized to be issued by the Proposition B, $79,520,000 was issued in December 2010 and $183,330,000 was issued in March 2012. The Series 2012E Bonds will be the third series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. Proceeds from the 2012E Bonds will finance Auxiliary Water System Supply improvements.

The City anticipates issuing the Series 2012D and Series 2012E Bonds in August 2012. Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Accountability Reports prepared by the respective departments. The remaining authorization under Proposition A and Proposition B will be issued subject to the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorizing resolutions.

Financing Parameters:

The proposed resolutions authorize the issuance of not to exceed aggregate par amount of $305,595,000. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue $291,040,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the Bonds. The Bonds are anticipated to contribute approximately $249.38 million to the General Hospital Project and $38.0 million to the Earthquake Safety Projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Estimated Sources	2012D SFGH	2012E ESER	Total
Par Amount	$252,555,000	$ 38,485,000	$291,040,000
Total Estimated Sources	$252,555,000	$ 38,485,000	$291,040,000
Estimated Uses			
Project Fund Deposit	249,384,679	$ 38,000,000	$287,384,679
Controller's Audit Fund	498,769	76,000	574,769
Other Costs of Issuance			
Costs of Issuance	524,835	81,878	606,712
Underwriter's Discount	1,894,163	288,638	2,182,800
CGOBOC	252,555	38,485	291,040
Total Estimated Uses	$252,555,000	$ 38,485,000	$291,040,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately $25.25 million. The anticipated total par value of $291.04 million is estimated to result in approximately $213.92 million in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20 year life of the Bonds is approximately $504.96 million.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the projects by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Financing Timeline:

The Bonds are expected to be issued and delivered in August 2012. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Introduction of authorizing resolution to the Board	May 15, 2012
Consideration by the Capital Planning Committee	June 4, 2012
Issuance and delivery of Bonds	August 2012

*Please note that dates are estimated unless otherwise noted.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. As of May 1, 2012, there were $1.65 billion in general obligation bonds outstanding or approximately 1.04% of the net assessed value of property in the City. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.72% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.18% to 1.23%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value.

In fiscal year 2011-12, the property tax rate for the general obligation bond fund is $0.1147 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the overall property tax rate would be maintained within the Capital Planning Committee's approved financial constraint.

Additional Information:

The Resolutions were introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds, consisting of (i) General Obligation Bonds, Series 2012D and (ii) General Obligation Bonds, Series 2012E. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement and Appendix A: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds. A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering of the Bonds, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve the form of the Official Statement, and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. The Official Statement must include all facts that would be material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Supervisors by staff and the financing team. Members of the Board of Supervisors may review the Preliminary Official Statement and/or question staff and members of the financing team to make sure they feel comfortable that it includes all material facts.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist initial purchasers of the Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

CC:
(via email)

Angela Calvillo, Clerk of the Board of Supervisors
Ed Harrington, General Manager, San Francisco Public Utilities Commission
Charles Higueras, Program Manager, Department of Public Works
Kate Howard, Mayor's Budget Director
Richard Morales, Debt Manager, San Francisco Public Utilities Commission
Dave Myerson, Project Manager, San Francisco Public Utilities Commission
Mohammed Nuru, Director, Department of Public Works
Ben Rosenfield, Controller
Brian Strong, Director, Capital Planning Program
Mark Blake, Deputy City Attorney

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: City and County of San Francisco General Obligation Bonds, Series 2012D
General Hospital & Trauma Center

City and County of San Francisco General Obligation Bonds, Series 2012E
Earthquake Safety and Emergency Response Bonds

DATE: May 15, 2012

I respectfully request that the Board of Supervisors consider for review and recommendation to the Board of Supervisors the issuance of general obligation bonds financing the San Francisco General Hospital & Trauma Center Seismic Retrofit and the Earthquake Safety and Emergency Response program. In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012.

Background:

San Francisco General Hospital & Trauma Center
A two-thirds majority of voters of the City approved Proposition A in November 2008 ("Proposition A"), which authorized the issuance of not to exceed $887,400,000 in general obligation bonds to build and/or rebuild and improve the earthquake safety of San Francisco General Hospital and Trauma Center (the "General Hospital Project"). The resolution authorizing the sale of City and County of San Francisco general obligation bonds (San Francisco General Hospital and Trauma Center, 2008) authorizes the issuance of not to exceed $265,185,000 of City and County of San Francisco General Obligation Bonds Series 2012D (San Francisco General Hospital Improvement Bonds, 2008) to finance the purchase, construction, mobilization, project control and other program costs of the General Hospital Project.

Of the $887,400,000 authorized to be issued by Proposition A, $131,650,000 was issued in March 2009 and $294,695,000 was issued in March 2010. The Bonds will be the third series of bonds to be issued under Proposition A for the General Hospital Project.

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120532
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Earthquake Safety & Emergency Response Bonds
A two-thirds majority of voters of the City approved Proposition B in June 2010 (the "Proposition B"), which authorized the issuance of not to exceed $412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure (the "Earthquake Safety Projects"). The proposed resolution authorizes the issuance of not to exceed $40,410,000 of City and County of San Francisco General Obligation Bonds, Series 2012E (Earthquake Safety and Emergency Response Bonds, 2010).

Of the $412,300,000 authorized to be issued by the Proposition B, $79,520,000 was issued in December 2010 and $183,330,000 was issued in March 2012. The Series 2012E Bonds will be the third series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. Proceeds from the 2012E Bonds will finance Auxiliary Water System Supply improvements.

The City anticipates issuing the Series 2012D and Series 2012E Bonds in August 2012. Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Accountability Reports prepared by the respective departments. The remaining authorization under Proposition A and Proposition B will be issued subject to the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorizing resolutions.

Financing Parameters:

The proposed resolutions authorize the issuance of not to exceed aggregate par amount of $305,595,000. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue $291,040,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the Bonds. The Bonds are anticipated to contribute approximately $249.38 million to the General Hospital Project and $38.0 million to the Earthquake Safety Projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Estimated Sources	2012D SFGH	2012E ESER	Total
Par Amount	$252,555,000	$ 38,485,000	$291,040,000
Total Estimated Sources	$252,555,000	$ 38,485,000	$291,040,000
Estimated Uses			
Project Fund Deposit	249,384,679	$ 38,000,000	$287,384,679
Controller's Audit Fund	498,769	76,000	574,769
Other Costs of Issuance			
Costs of Issuance	524,835	81,878	606,712
Underwriter's Discount	1,894,163	288,638	2,182,800
CGOBOC	252,555	38,485	291,040
Total Estimated Uses	$252,555,000	$ 38,485,000	$291,040,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately $19.73 million. The anticipated total par value of $291.04 million is estimated to result in approximately $103.53 million in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20 year life of the Bonds is approximately $394.57 million.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the projects by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Financing Timeline:

The Bonds are expected to be issued and delivered in August 2012. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Introduction of authorizing resolution to the Board	May 15, 2012
Consideration by the Capital Planning Committee	June 4, 2012
Issuance and delivery of Bonds	August 2012

*Please note that dates are estimated unless otherwise noted.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. As of May 1, 2012, there were $1.65 billion in general obligation bonds outstanding or approximately 1.04% of the net assessed value of property in the City. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.72% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by 0.19% to 1.24%—within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value.

In fiscal year 2011-12, the property tax rate for the general obligation bond fund is $0.1147 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the overall property tax rate would be maintained within the Capital Planning Committee's approved financial constraint.

Additional Information:

The Resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds, consisting of (i) General Obligation Bonds, Series 2012D and (ii) General Obligation Bonds, Series 2012E. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement and Appendix A: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds. A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering of the Bonds, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve the form of the Official Statement, and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. The Official Statement must include all facts that would be material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Supervisors by staff and the financing team. Members of the Board of Supervisors may review the Preliminary Official Statement and/or question staff and members of the financing team to make sure they feel comfortable that it includes all material facts.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist initial purchasers of the Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

CC: (via email)
Angela Calvillo, Clerk of the Board of Supervisors
Ed Harrington, General Manager, San Francisco Public Utilities Commission
Charles Higueras, Program Manager, Department of Public Works
Kate Howard, Mayor's Budget Director
Richard Morales, Debt Manager, San Francisco Public Utilities Commission
Dave Myerson, Project Manager, San Francisco Public Utilities Commission
Mohammed Nuru, Director, Department of Public Works
Ben Rosenfield, Controller
Brian Strong, Director, Capital Planning Program
Mark Blake, Deputy City Attorney

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$[Aggregate Principal Amount]*
City and County of San Francisco
General Obligation Bonds

consisting of

$_____*	**$_____***
General Obligation Bonds,	**General Obligation Bonds,**
Series 2012D	**Series 2012E**

The City and County of San Francisco will receive sealed bids and electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE:	[Tuesday], August __, 2012 (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	8:30 a.m. (California time)
PLACE:	1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
DELIVERY DATE:	August __, 2012

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$[AGGREGATE PRINCIPAL AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____*	**$_____***
General Obligation Bonds,	**General Obligation Bonds,**
Series 2012D	**Series 2012E**

NOTICE IS HEREBY GIVEN that that electronic bids and sealed bids will be received in the manner described below, and in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") by the City and County of San Francisco (the "**City**") for the purchase of $[Aggregate Principal Amount]* aggregate principal amount of City and County of San Francisco General Obligation Bonds, consisting of (i) $_____* General Obligation Bonds, Series 2012D (the "**Series 2012D Bonds**"), and (ii) $_____* General Obligation Bonds, Series 2012E (the "**Series 2012E Bonds**" and, together with the Series 2012D Bonds, the "**Bonds**"), more particularly described hereinafter, at 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 on:

August __, 2012, at 8:30 a.m. (California time)*
(subject to postponement or cancellation in accordance with this Official Notice of Sale)

See "TERMS OF SALE – Form of Bids; Delivery of Bids" hereinafter for information regarding the terms and conditions under which bids will be received through electronic transmission.

THE RECEIPT OF BIDS ON [TUESDAY], AUGUST __, 2012,* MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH BLOOMBERG BUSINESS NEWS ("BLOOMBERG") AND PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids will be given through Bloomberg and Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the co-financial advisors to the City: (i) Montague DeRose and Associates, LLC, 2175 North California Boulevard, Suite 745, Walnut Creek, California 94596; telephone (925) 256-9797 (office), Attention: Natalie Perkins (email: perkins@montaguederose.com); and (ii) Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone (415) 912-5612 (office), Attention: Peter J. Ross (e.mail: rossfinancial@smkc.com) (collectively, "**Co-Financial Advisors**"), *provided*, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Postponement or Cancellation of Sale."

* Preliminary, subject to change.

The City reserves the right to modify or amend this Official Notice of Sale in any respect ncluding, without limitation, increasing or decreasing the payments of principal of the Bonds scheduled to be paid in any of the years from 2013 through and including 2032 as shown under "TERMS RELATING TO THE BONDS – Principal Payments; *provided*, that any such modification or amendment will be communicated to potential bidders through Bloomberg and Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, dated [July] __, 2012, of the City with respect to the Bonds (the "**Preliminary Official Statement**") for additional information regarding the City, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS – Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system. If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale will control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY AND SOURCES OF PAYMENT, THE LEGAL OPINION, AND ALL OTHER INFORMATION REGARDING THE BONDS ARE 'RESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Bonds are generally described as follows:

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the successful bidder (the "**Purchaser**"), all dated the date of delivery, which is expected to be August __, 2012*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

* Preliminary, subject to change.

Interest Rates. Interest on the Bonds will be payable on December 15, 2012, and semiannually thereafter on June 15 and December 15 of each year (each an "**Interest Payment Date**"). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;

(ii) the maximum interest rate bid for any maturity may not exceed twelve percent (12%) per annum;

(iii) no Bond may bear a zero rate of interest;

(iv) each Bond must bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and

(v) all Bonds maturing at any one time must bear the same rate of interest.

Principal Payments. The Bonds will be serial and/or term Bonds, as specified by each bidder, and principal will be payable on June 15 of each year, commencing on June 15, 2013 as shown below. The final maturity of the Bonds will be June 15, [2032]. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year must be in integral multiples of $5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. Bidders will provide bids on the Total Principal Amount only. Subject to adjustment as hereinafter provided, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Principal Payment Date (June 15)	Series 2012D Bonds Principal Amount*	Series 2012E Bonds Principal Amount*	Total Principal Amount*
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
TOTAL			

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments on the Bonds will be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

THE PURCHASER WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

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* Preliminary, subject to change.

Redemption. (a) Optional Redemption. The Bonds maturing on or before June 15, 202[2], will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds, if any, maturing on or after June 15, 202[3], are subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 202[2], at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

(b) Mandatory Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates, in part, by lot, from mandatory sinking fund payments, on each June 15 on or after June 15, 202[3], designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

TERMS OF SALE

Par and Premium Bids. All bids must be for par or better; no net discount bids will be accepted. Individual maturities of the Bonds may be reoffered at a premium or discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds, (2) unconditional, and (3) either (i) submitted on the Official Bid Form attached as ***Exhibit A*** and signed by the bidder, or (ii) submitted via Parity. Electronic bids must conform to the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City and County of San Francisco c/o Nadia Sesay at the address set forth on the cover and clearly marked "Bid for the City and County of San Francisco General Obligation Bonds" or words of similar import, as hereinafter described, and received by 8:30 a.m. California time, at the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the City may be withdrawn or modified by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids will be rejected. No bid submitted to the City may be withdrawn or modified by the bidder. No bid will be accepted after the time for receiving bids. The City retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either of the Co-Financial Advisors or Parity, phone: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds may be submitted electronically via Parity. The City will attempt to accommodate bids submitted electronically via Parity. None of the City, the City Attorney, the Co-Financial Advisors or Co-Bond Counsel (defined below) assumes any responsibility for any error contained in any bid submitted electronically or for the failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the

risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the City at the place of bid opening, and the City will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the City, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder which timely submits a conforming bid that represents the lowest true interest cost ("**TIC**") to the City and which timely provides the Good Faith Deposit as described under "—Good Faith Deposit" below. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the City will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the City.

Multiple Bids. If multiple bids are received from a single bidder by any means or combination of means, the City will accept the bid representing the lowest TIC to the City. Each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. To secure the City from any loss resulting from the failure of the winning bidder to comply with the terms of its bid, a good faith deposit in the amount of $[_____] (the "**Good Faith Deposit**") must be provided by the winning bidder.

Upon the determination by the City of the winning bidder of the Bonds, the Co-Financial Advisors will notify the winning bidder of the City's determination. The winning bidder will (a) confirm to the Co-Financial Advisors by telephone (Montague DeRose telephone: (925) 256-9797; Ross Financial telephone: (415) 505-4331), within ten (10) minutes after notification to it of the City's determination, that the winning bidder will immediately wire the Good Faith Deposit, and (b) provide by telephone or telefax, within ninety (90) minutes after notification to it of the City's determination, the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors (Montague DeRose telephone: (925) 256-9797, or telefax: (925) 256-9795; Ross Financial telephone: (415) 505-4331, or telefax: (415) 912-5611) and to Anthony Ababon, telephone: (415) 554-6902, or telefax: (415) 554-4864. The wire transfer is to be made to Bank of America, ABA 026009593, 555 Capitol Mall, Suite 1555 Sacramento, CA 95814 Branch Locator #148, for credit to the City and County of San Francisco, Bank Account No. 00661-80050, with notice thereof to Anthony Ababon, phone: (415) 554-6902; fax: (415) 554-4864.

If the winning bidder does not (a) confirm to the Co-Financial Advisors by telephone, within ten (10) minutes after notification to it of the City's determination, that the winning bidder will immediately wire the Good Faith Deposit or (b) provide, within ninety (90) minutes after notification to it of the City's determination, the Federal wire reference number for the wire of such Good Faith Deposit to the Co-Financial Advisors, the City may, in its sole discretion, reject the bid of the winning bidder and may award the Bonds to the responsible bidder that timely submitted a conforming bid that represents the next lowest TIC to the City, which will in turn become and will assume the responsibilities of the winning bidder as described in this paragraph.

The Good Faith Deposit will immediately upon receipt become the property of the City and will be held and invested for the exclusive benefit of the City. No interest will be paid upon the Good Faith Deposit. The Good Faith Deposit, without interest, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery of the Bonds.

If the purchase price is not paid in full upon tender of the Bonds by the City to the Purchaser, the City will retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it appears that the Bonds would not be validly delivered if delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See "CLOSING PROCEDURES AND DOCUMENTS – Right of Cancellation." If the Purchaser fails to deliver its the Good Faith Deposit in accordance with this Official Notice of Sale or fails to take up and pay for the Bonds, the City reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the City.

Electronic Bids; Delivery of Form of Bids. If the City accepts a bidder's bid that was submitted through Parity, the successful bidder must submit a signed, completed and conforming Official Bid Form by facsimile transmission to Anthony Ababon, fax: (415) 554-4864, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Reoffering Prices and Certificate. The successful bidder for the Bonds must actually reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable, but not later than one hour after the award of the Bonds, the successful bidder must provide to the City the initial offering prices at which it has offered all of the Bonds of each maturity of each series to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a *bona fide* public offering. Prior to delivery of the Bonds, the successful bidder must provide to the City, Schiff Hardin LLP, One Market, Spear Street Tower, 32nd Floor, San Francisco, California 94105; fax: (312) 258-5700; Attention: Bruce P. Weisenthal; email: bwiesenthal@schiffhardin.com, and Lofton & Jennings, 225 Bush Street, 16th Floor, San Francisco, California 94104; fax: (415) 394-8296; Attention: William Lofton: e-mail: blofton@loftonjennings.com, a reoffering price certificate in the form attached as ***Exhibit B*** dated the date of delivery of the Bonds. In addition, at the request of Co-Bond Counsel, the successful bidder will provide information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for either or both series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto, for any years from 2013 through and including 2032; *provided*, that any such modification or amendment will he communicated to potential bidders through Parity and Bloomberg not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of an potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through Parity and Bloomberg as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity and Bloomberg as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Time for Award. The Controller of the City (the "**Controller**") will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Co-Bond Counsel, Schiff Hardin LLP and Lofton & Jennings (collectively, "**Co-Bond Counsel**"), will each deliver an opinion to the effect that in the opinion of such Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance

with certain covenants and requirements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but will be included in adjusted current earnings in calculating federal corporate alternative minimum taxable income for certain corporations. In the further opinion of Co-Bond Counsel, under present California law, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" in the Preliminary Official Statement.

A copy of the proposed form of the opinions of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. The approving legal opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the opinions will be filed with the Controller.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("**LBE**") Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, Room 800, San Francisco, California 94102: phone: (415) 252-2500.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about August __, 2012.*** Payment for the Bonds (including any premium) must be made to the Treasurer of the City at the time of delivery in immediately available funds. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – "PROPOSED FORMS OF OPINION OF CO-BOND COUNSEL" to the Official Statement.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The City will deliver a certificate stating that no litigation is pending with service of process having been accomplished or, to the knowledge of the officer of the City executing such certificate, threatened, concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to

* Preliminary, subject to change.

pay debt service on the Bonds, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Bonds.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the Bonds and tender the same for delivery within thirty (30) days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of each series of the Bonds. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will he provided for convenience of reference only. The City will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Financial Advisors. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("**Rule 15c2-12**"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Co-Financial Advisors is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 200) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the City in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to file promptly a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board governing the offering, sale and delivery of the Bonds to the Purchaser, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that, to the best of the knowledge of such authorized representative, the Official Statement (except for information regarding DTC and its book-entry system and reoffering information, as to which no view will be expressed), as

of the date of sale of the Bonds and as of the date of their delivery, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be included in the final Official Statement.

Dated: _____, 2012

EXHIBIT A

BID TIME: 8:30 A.M. (California time) Tuesday, August __, 2012

OFFICIAL BID FORM FOR THE PURCHASE OF

$[AGGREGATE PRINCIPAL AMOUNT]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____*
General Obligation Bonds,
Series 2012D

$_____*
General Obligation Bonds,
Series 2012E

Controller
City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm Number: (415) 554-6643

BIDDING FIRM'S NAME:

_____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated _____, 2012, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "**Bonds**") and hereby offer to purchase all of the $[Aggregate Principal Amount] aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of one percent (1.0%) of the aggregate principal amount of the Bonds within the time and in the manner specified in the Official Notice of Sale; and to pay therefor the price of $_____, which is equal to the aggregate principal amount of the Bonds plus a net premium of $_____ (such amount being the "**Purchase Price**"). The Bonds will mature and will be subject to mandatory sinking fund redemption commencing no earlier than June 15, 202[3] (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedules below.

Combined Maturity Schedule

Principal Payment Date (June 15)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption[2]	Interest Rate	Principal Payment Date (June 15)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption[2]	Interest Rate
2013					2023				
2014					2024				
2015					2025				
2016					2026				
2017					2027				
2018					2028				
2019					2029				
2020					2030				
2021					2031				
2022					2032				

* Subject to adjustment in accordance with the Official Notice of Sale.
(1) Circle the final maturity of each term bond specified.
(2) There may not be serial maturities for dates after the first mandatory sinking fund redemption payment.

_____
Authorized Signatory

Title:_____
Phone Number:_____ TIC (optional and not binding):_____
Fax Number:_____

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

EXHIBIT B

$[AGGREGATE PRINCIPAL AMOUNT]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$_____	**$_____**
General Obligation Bonds, Series 2012D	**General Obligation Bonds, Series 2012E**

PURCHASER'S CLOSING CERTIFICATE

This certificate is being delivered by _____, the Purchaser (the "**Purchaser**"), in connection with the issuance today by the City and County of San Francisco (the "**City**") of (i) the City and County of San Francisco General Obligation Bonds, Series 2012D (the "**Series 2012D Bonds**"), and (ii) the City and County of San Francisco General Obligation Bonds, Series 2012E (the "**Series 2012E Bonds**" and, together with the Series 2012D Bonds, the "**Bonds**"). In connection with the purchase today by the Purchaser of the Bonds, the Purchaser certifies and represents that:

A. Issue Price

1. All Bonds of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in ***Schedule A*** attached to this Certificate.

2. On the date of the sale of the Series 2012D Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [***if less than 10% of some maturities were sold to the public, add:*** , except the Series 2012D Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in ***Schedule A***. On the date of the sale of the Series 2012E Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [***if less than 10% of some maturities were sold to the public, add:*** , except the Series 2012E Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in ***Schedule A***. At the time we agreed to purchase the Bonds, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Bonds would be initially sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, than those set forth in ***Schedule***

A, and such prices and yields, maturity-by-maturity, represented our best judgment of the fair market value of the Bonds.

If less than 10% of some maturities of the Bonds were sold to the public add the following paragraph:

3. The unsold Bonds were bought by the Purchaser. Even though, on the date of the sale of the Bonds, it was reasonably expected that such unsold Bonds would be held as inventory until sold to the public (as opposed to being held for the bond houses' own accounts), and even though it could then be reasonably expected that such sale to the public might be at prices higher than the prices, or yields lower than the yields, set forth in ***Schedule A***, our reasonable expectations regarding the fair market value of such Bonds, as of the date of the sale of the Bonds, were those reflected as the public offering prices or yields of such Bonds set forth in ***Schedule A***.

[4.] As of the date of this Certificate, neither the Purchaser nor any affiliate of the Purchaser has participated in offering the City any derivative product with respect to the Series 2012D Bonds or the Series 2012E Bonds.

B. Compensation

All compensation received for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Bonds is being paid on the date of this Certificate in the form of a purchase discount in the amount of $_____, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Bonds.

We understand that the representations contained in this Certificate will be relied upon by the City in making certain of the representations contained in the Tax Certificate, and we further understand that Co-Bond Counsel to the City may rely upon this Certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. Capitalized terms used but not defined in this Certificate shall have the meanings ascribed to them in the Tax Certificate relating to the Bonds to which this certificate is attached as an exhibit.

Dated: [Closing Date], 2012

[NAME OF PURCHASER]

By:_____
Name:_____
Title:_____

Schedule A to Exhibit A

Series 2012D Bonds

Maturity Date (June 15)	Principal Amount	Coupon Rate	Reoffering Yield	Price
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				

Series 2012E Bonds

Maturity Date (June 15)	Principal Amount	Coupon Rate	Reoffering Yield	Price
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				

NOTICE OF INTENTION TO SELL

$_____*
GENERAL OBLIGATION BONDS,
comprised of
$_____* SERIES 2012D and
$_____* SERIES 2012E

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer for public sale on:

[Tuesday], _____, __ 2012 at 8:30 a.m. (California time)*

by sealed bids at the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94012, and by electronic bids through Ipreo LLC's BIDCOMP ™ /PARITY© System ("Parity"), $_____ aggregate principal amount of City and County of San Francisco General Obligation Bonds, Series 2012D and $_____ aggregate principal amount of City and County of San Francisco General Obligation Bonds, Series 2012E (collectively, the "Bonds").

The City reserves the right to postpone or cancel the sale of the Bonds, or change the terms thereof, upon notice given through Bloomberg News ("Bloomberg") and/or Parity. In the event that no bid is awarded for the Bonds, the City will reschedule the sale of the Bonds to another date or time by providing notification through Bloomberg and/or Parity.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale dated ____, 2012 relating to the Bonds. Further information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds and the Official Notice of Sale, are available through Bloomberg or may be obtained from either of the City's Co-Financial Advisors: Montague DeRose and Associates, LLC, 2175 North California Boulevard, Suite 745, Walnut Creek, California 94596; telephone (925) 256-9797 (office), Attention: Natalie Perkins (e-mail: perkins@montaguederose.com); and Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone (415) 912-5612 (office), Attention: Peter J. Ross (e-mail: rossfinancial@smkc.com).

The Preliminary Official Statement for the Bonds, the Official Notice of Sale for the Bonds will be posted electronically at Ipreo Prospectus at www.i-dealprospectus.com on or around [Monday], ____, __, 2012. Failure of any bidder to receive either document shall not affect the legality of the sale.

Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend the Official Notice of Sale relating to the Bonds in any respect, as more fully described in the Official Notice of Sale; provided, however, that any such modification or amendment will be communicated to potential bidders solely through Bloomberg and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment shall not affect the sufficiency of any such notice or the legality of the sale.

Date: _____, 2012

*Preliminary, subject to change.

12019\NOI-2

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: ____
S & P: ____
Fitch: ____
(See "Ratings" herein)

Subject to compliance by the City and County of San Francisco with certain covenants, in the separate opinions of Schiff Hardin LLP and Lofton & Jennings, Co-Bond Counsel, under present law, interest on the Bonds is excludable from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations, but will be taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Co-Bond Counsel are further of the opinion that interest on the Bonds is exempt from present California personal income taxes under present California law. See "Tax Matters" in this Official Statement for a more complete discussion of these matters.

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
SERIES 2012D

[$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
SERIES 2012E]

Dated: Date of Delivery **Due: June 15, as shown in the inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The City and County of San Francisco General Obligation Bonds, Series 2012D (the "2012D Bonds") [and Series 2012E (the "2012E Bonds," and together with the 2012D Bonds, the "Bonds")] will be issued under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "City"). The issuance of the 2012D Bonds has been authorized by Resolution No. 528-08 and Resolution No. ____-12, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on December 16, 2008 and _____, 2012, respectively, and duly approved by the Mayor of the City on December 19, 2008 and _____, 2012, respectively. [The issuance of the 2012E Bonds has been authorized by Resolution No. 516-10 and Resolution No. ____-12, adopted by the Board of Supervisors on November 2, 2010 and _____, 2012, respectively, and duly approved by the Mayor of the City on November 5, 2010 and _____, 2012, respectively.] See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the 2012D Bonds will be used to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center as described herein, and to pay certain costs related to the issuance of the 2012D Bonds. [The proceeds of the 2012E Bonds will be used to finance capital improvements to the City's auxiliary water supply system as described herein, and to pay certain costs related to the issuance of the 2012E Bonds.] See "SOURCES AND USES OF FUNDS."

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2012. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

The Bonds will be subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

The Board of Supervisors has the power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."

MATURITY SCHEDULES
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchaser, subject to the approval of legality by Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California,

* Preliminary, subject to change.

** Complete copy of document is located in
File No. 120533

Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of April 1, 2012.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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** Complete copy of document is located in

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