File No. 190900 Committee Item No. 15
Board Item No. ____________

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee **Date** September 18, 2019

Board of Supervisors Meeting **Date** ____________

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Completed by: Linda Wong **Date** September 13, 2019
Completed by: Linda Wong **Date** ____________

[Certificates of Participation - 49 South Van Ness Project - Official Statement]

Resolution approving the form of and authorizing the distribution of a preliminary official statement relating to the execution and delivery of City and County of San Francisco Certificates of Participation for the 49 South Van Ness Project and authorizing the preparation, execution and delivery of a final official statement; and ratifying the approvals and terms and conditions of a previous ordinance, and related matters, as defined herein.

WHEREAS, By Ordinance No. 119-17 passed on June 6, 2017, and approved by the Mayor of the City on June 15, 2017 (the "2017 Ordinance"), the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors" or the "Board"), in order to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 49 South Van Ness project (formerly known as the 1500 Mission office building) (the "Project"), has previously authorized the execution and delivery of not to exceed $321,765,000 Certificates of Participation (the "Certificates of Participation" or the "Certificates") issued pursuant to a Trust Agreement (the "Trust Agreement"), between the City and a trustee to be named therein, which Certificates of Participation are to be secured by a Property Lease (the "Property Lease"), pursuant to which the City leases certain property to the Trustee, as Project Trustee, and a Lease Agreement (the "Lease Agreement"), pursuant to which the Trustee, as Project Trustee, leases said property back to the City; and

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WHEREAS, The Board desired to initially finance costs of the Project on an interim basis in part through the issuance of commercial paper under the City's commercial paper program; and

WHEREAS, The Board now desires to cause the execution and delivery of the Certificates, the proceeds of which will be used to refund and repay the City's commercial paper and interest thereon issued to provide initial funding for the Project, and the balance of such proceeds to pay costs of the Project and other costs related to the execution and delivery of the Certificates as authorized in the 2017 Ordinance; and

WHEREAS, Pursuant to the 2017 Ordinance, the Board has authorized and directed the Director of the Office of Public Finance (the "Director of Public Finance"), to provide for the sale of the Certificates, by either competitive or negotiated sale, using the approved forms of such documents and subject to the terms and conditions set forth in the 2017 Ordinance; and

WHEREAS, The Director of Public Finance has determined to cause the execution and delivery of the Certificates, under the authority granted by and subject to the terms and conditions set forth in the 2017 Ordinance, to finance the Project; and

WHEREAS, The Director of Public Finance, in consultation with the City Attorney and Hawkins Delafield & Wood LLP as disclosure counsel to the City ("Disclosure Counsel"), now seeks approval and authorization of the distribution of the form of a preliminary official statement relating to the Certificates (the "Preliminary Official Statement"); and

WHEREAS, The Director of Public Finance has submitted the form of the Preliminary Official Statement to the Board; such document is on file with the Clerk of the Board of Supervisors in File No. 190900, which is hereby declared to be a part of this Resolution as if set forth fully herein; 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 herein are true and correct.

Section 2. Preliminary and Final Official Statements. The form of Preliminary Official Statement is hereby approved with such changes, additions, amendments or modifications made in accordance with Section 3 hereof. The Controller of the City (the "Controller") is hereby authorized to cause the distribution of the Preliminary Official Statement in connection with the Certificates, deemed final for purposes of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Controller is hereby further authorized and directed to prepare and sign a final Official Statement for the Certificates. The Co-Financial Advisors to the City (the "Co-Financial Advisors"), under the direction of the Director of Public Finance, are hereby authorized and directed to cause to be printed and mailed, or distributed electronically, to prospective bidders or purchasers, as appropriate, for the Certificates, copies of the Preliminary Official Statement and the final Official Statement relating to the Certificates.

Section 3. Modifications. The Controller is further authorized, in consultation with the City Attorney, to approve and make such changes, additions, amendments or modifications to the Preliminary Official Statement or the final Official Statement described in Section 2 as may be necessary or advisable. The approval of any change, addition, amendment or modification to the Preliminary Official Statement or the final Official Statement shall be evidenced conclusively by the distribution of the Preliminary Official Statement to potential bidders for or purchasers of the Certificates and the execution and delivery of the final Official Statement. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days after the public distribution thereof.

Section 4. Ratification. The terms and conditions and approvals of the 2017 Ordinance, and all actions heretofore taken pursuant to the 2017 Ordinance in connection with the issuance of the Certificates, and subject in all respects to the terms and limitations set forth in the 2017 Ordinance, are hereby ratified, approved and confirmed.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: ______________________
KENNETH D. ROUX
Deputy City Attorney
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This 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.

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2019

<u>**NEW ISSUE – BOOK-ENTRY ONLY**</u>

RATINGS: **Moody's:** ___
S&P: ___
Fitch: ___
(See "RATINGS" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Curls Bartling P.C., Oakland, California, Co-Special Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. In the further opinion of Co-Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Co-Special Counsel are also of the opinion that interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California. Co-Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX MATTERS" herein.

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(49 SOUTH VAN NESS PROJECT)
SERIES 2019A

evidencing proportionate interests of the Owners thereof in a Lease Agreement, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery **Due: April 1, as shown on 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 Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Certificates captioned above (the "Certificates") will be sold to provide funds to: (i) finance or refinance the costs of the acquisition, construction and installation of improvements to an office building to be used by the City, located at 49 South Van Ness Street, San Francisco, California (as further described herein, the "Project"); (ii) retire certain commercial paper certificates of participation of the City and County of San Francisco (the "City"), the proceeds of which financed or refinanced a portion of the costs of the Project; (iii) fund the 2019 Reserve Account established under the Trust Agreement for the Certificates; (iv) pay capitalized interest through _________; and (v) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates will be executed and delivered pursuant to a Trust Agreement, to be dated as of [Month] 1, 2019 (the "Trust Agreement"), by and between the City and Zions Bancorporation, National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Lease Agreement to be dated as of [Month] 1, 2019 (the "Lease Agreement"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Lease Agreement to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the site and facilities subject to the Lease Agreement (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement." The Leased Property will generally consist of the Project. See "THE PROJECT AND THE LEASED PROPERTY" herein.

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates will be payable on April 1 and October 1 of each year, commencing _______ 1, 20__. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates will be subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE AGREEMENT WILL NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY WILL BE OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS WILL CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE LEASE AGREEMENT AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."

MATURITY SCHEDULE

(See inside cover)

BIDS FOR THE PURCHASE OF THE CERTIFICATES WILL BE RECEIVED BY THE CITY AT 8:30 A.M. PACIFIC TIME ON _________, 2019, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED __________, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF CERTIFICATES" herein.

The Certificates are offered when, as and if executed and received by the Purchaser, subject to the approval of the validity of the Lease Agreement by Norton Rose Fulbright US LLP, and Curls Bartling P.C., Oakland, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about ________, 2019.

Dated: _______, 2019.

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* Preliminary, subject to change.

MATURITY SCHEDULE

(Base CUSIP Number: ______[1])

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price/Yield[2]	CUSIP Suffix

[$_________ ____% Term Bonds due April 1, 20__ – Price/Yield[2]_______% CUSIP[1]: ________]

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1 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Purchaser take any responsibility for the accuracy of such numbers.

2 Reoffering prices/yields furnished by the Purchaser. The City takes no responsibility for the accuracy thereof.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Certificates by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein, other than that provided by the City, has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

This Official Statement is submitted in connection with the execution and sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Certificates, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Certificates at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The underwriters may offer and sell the Certificates to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The execution and sale of the Certificates have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

The City maintains a website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Vallie Brown, *District 5*

Matt Haney, *District 6*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Co-Special Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Curls Bartling P.C.
Oakland, California

Co-Municipal Advisors

KNN Public Finance, LLC
Oakland, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Trustee

Zions Bancorporation, National Association
Los Angeles, California

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OFFICIAL STATEMENT

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(49 SOUTH VAN NESS PROJECT)
SERIES 2019A

evidencing proportionate interests of the Owners thereof in a Lease Agreement, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Certificates of Participation (49 South Van Ness Project), Series 2019A (the "Certificates"). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

This Introduction is designed to give an overview of the transactions and serve as a guide to the contents of this Official Statement.

Overview of the Transaction. The City, exercising its Charter powers to convey and lease property for City purposes, will convey certain real property to Zions Bancorporation, National Association, as trustee (the "Trustee") under the Property Lease to be dated as of [Month] 1, 2019, by and between the City, as lessor, and the Trustee, as lessee (the "Property Lease"), at a nominal annual rent. The Trustee will lease the Leased Property (as defined hereafter) back to the City for the City's use under the Lease Agreement to be dated as of [Month] 1, 2019, by and between the Trustee and the City (the "Lease Agreement"). The City will be obligated under the Lease Agreement to pay Base Rental payments and other payments to the Trustee each year during the term of the Lease Agreement (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Lease Agreement, representing proportional interests in the principal and interest components of Base Rental it will receive from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement to be dated as of [Month] 1, 2019, by and between the City and the Trustee (the "Trust Agreement"), which will govern the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City's direction, to finance or refinance the acquisition, construction and installation of improvements to an office building to be used by the City, located at 49 South Van Ness Street, San Francisco, California (as further described herein, the "Project"), including the retirement of certain commercial paper certificates of participation issued by the City to finance or refinance a portion of the Project. The Leased Property will generally consist of the Project. See "THE PROJECT AND THE LEASED PROPERTY."

* Preliminary, subject to change.

Guide to this Official Statement. The Project and the Leased Property are described herein in the section "THE PROJECT AND THE LEASED PROPERTY." The application of the proceeds of sale of the Certificates is described in the sections "THE PROJECT AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and governance, are provided in APPENDIX A. The City's most recent comprehensive annual financial report appears in APPENDIX B. A summary of the Lease Agreement, the Property Lease, the Trust Agreement, and other basic legal documents are provided in APPENDIX C.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" and APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Lease Agreement, the Property Lease, the resolutions providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the "State"), the City's Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. According to the State Department of Finance, the City's population as of January 1, 2019 was 883,869.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising and higher education. The California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2018, approximately 25.8

million tourists visited the City, with total direct spending estimated at $9.3 billion. Direct spending from conventions, trade shows and group meetings generated approximately $707.6 million in 2018.

The City is also a leading center for financial activity in the State. The headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank are located in the City.

The City benefits from a highly skilled, educated and professional labor force. According to the U.S. Department of Commerce Bureau of Economic Analysis, the per-capita personal income of the City for calendar year 2017 was $119,868. According to the U.S. Department of Labor Bureau of Labor Statistics, the average unemployment rate for calendar year 2018 was 2.4%. As of the 2018-19 school year, the San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2017-18, SFO serviced approximately 58 million passengers and handled 561,150 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's adopted budget for fiscal years 2019-20 and 2020-21 totals $12.3 billion and $12.0 billion, respectively. The General Fund portion of each year's adopted budget is $6.1 billion in fiscal year 2019-20 and $6.0 billion in fiscal year 2020-21, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). The City employed 33,045 full-time-equivalent employees at the end of fiscal year 2017-18, of which ______ positions were funded from sources other than the City's General Fund. According to the Controller of the City (the "Controller"), the fiscal year 2018-19 total net assessed valuation of taxable property in the City is approximately $259.3 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates will be executed and delivered pursuant to the Trust Agreement. Each Certificate will represent a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to the Lease Agreement. The City will be obligated under the Lease Agreement to pay the Base Rental in consideration for its use and occupancy of the Leased Property. The Leased Property will be leased by the City to the Trustee pursuant to the Property Lease.

The Trust Agreement, the Property Lease, and the Lease Agreement were approved by the Board of Supervisors of the City by its Resolution No. _____, adopted by the Board of Supervisors on ________ and approved by the Mayor on ________, and the sale of the Certificates was authorized by Resolution No. _____, adopted by the Board of Supervisors on ________ and approved by the Mayor on ________ (collectively, the "Resolution"). The Resolution authorized the execution and delivery of up to $________ aggregate principal amount of the Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under the Lease Agreement. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation.

Payment of Principal and Interest

The principal evidenced and represented by the Certificates will be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each April 1. Payment of the principal and premium, if any, of the Certificates upon prepayment or upon the Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee. Principal and premium will be payable in lawful money of the United States of America.

Interest evidenced and represented by the Certificates will be payable on April 1 and October 1 of each year, commencing on ________ 1, 20__ (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payment of interest evidenced and represented by the Certificates will be made on each Interest Payment Date. For as long as the Bonds are in book-entry form, principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates.

Form and Registration

The Certificates will be executed and delivered in the aggregate principal amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment of the Certificates

Optional Prepayment

The 20__ Certificates with a Certificate Payment Date on or after April 1, 20__ will be subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after April 1, 20__, at the option of the City, in the event the City exercises its option under the Lease Agreement to prepay the principal component of the Base Rental payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given.

Special Mandatory Prepayment

The Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, as a whole or in part on any date, at a Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Prepayment Account of the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

*Mandatory Sinking Account Installment Prepayment**

The Certificates with a Certificate Payment Date of April 1, 20__ will be subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof,

* Preliminary, subject to change.

plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (April 1)	Sinking Account Installment Amount
†	

† Final Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all Outstanding Certificates are to be prepaid, the City will direct the principal amount of each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner that the Trustee in its sole discretion deems fair and appropriate. The Trustee will promptly notify the City in writing of the Certificates so selected for prepayment. Prepayment by lot will be in such manner as the Trustee determines; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 20 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment will specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto will cease to accrue and be payable.

Neither failure to receive any prepayment notice nor any defect in such prepayment notice so given will affect the sufficiency of the proceedings for the prepayment of such Certificates. Each check or other transfer of funds issued by the Trustee for the purpose of prepaying Certificates will bear the CUSIP number identifying, by issue, series and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

Conditional Notice of Prepayment; Cancellation of Optional Prepayment

The City may direct the Trustee to provide a conditional notice of prepayment and such notice will specify its conditional status. Any notice of prepayment may be rescinded by notice delivered in the same manner as the original notice of prepayment.

Notwithstanding any other provision of the Trust Agreement, a conditional prepayment notice may be provided and if the Certificates are subject to optional prepayment and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, the prepayment will be canceled and in each and every such case, the City, the Trustee and the Owners, as the case may be, will be restored to their former positions and rights hereunder. Such a cancellation of a prepayment will not constitute a default under the Trust Agreement nor an event that with the passage of time or giving of notice or both will constitute a default under the Trust Agreement and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee will send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

Partial Prepayment

Upon the surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of Authorized Denominations equal to the unprepaid portion of the Certificates surrendered and of the same Certificate Payment Date and interest rate. Such partial prepayment will be valid upon payment of the amount required to be paid to such Owner, and the City and the Trustee will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Prepayment

If, on the designated prepayment date, money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, is held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice has been given as described above, then from and after such prepayment date, no additional interest will become due with respect to the Certificates to be prepaid, and such Certificate or portion thereof will no longer be deemed Outstanding under the provisions of the Trust Agreement; however, all money held by or on behalf of the Trustee for the prepayment of such Certificates will be held in trust for the account of the Owners thereof.

If the City acquires any Certificate by purchase or otherwise, such Certificate will no longer be deemed Outstanding and will be surrendered to the Trustee for cancellation.

Purchase of Certificates

Unless expressly provided in the Trust Agreement, money held in the Base Rental Fund may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayments from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City will not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related Certificates. All Certificates so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

THE PROJECT AND THE LEASED PROPERTY

A portion of the proceeds of the Certificates will be used to finance or refinance the costs of the acquisition, construction and equipping of a 16-story office building to be located at 49 South Van Ness Street, San Francisco, California (the "Project"). The Project will be the Leased Property that is the subject of the Lease Agreement. Under certain conditions, the Lease Agreement provides that the Leased Property may be amended, released or substituted from time to time. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution, Release and Addition of Leased Property" and "CERTAIN RISK FACTORS – Release and Substitution of the Leased Property."

Description of the Project

The Project will consist of a 16-story building of approximately 450,000 rentable square feet of office space, and will be occupied by various departments of the City and approximately 1,800 City employees. The City's goal is to establish a "One-Stop Permit Center," bringing together [14] City permitting agencies to a single location. The Project will include administrative office workspace for multiple City departments, training and conference space, and a childcare facility. The Project will be LEED Certified at Gold Level. The Project has been designed and is being constructed in accordance with seismic safety standards as provided in the California Building Code, 2013 Edition, as adopted and modified by the City. *[Address soil composition, flood zone, foundation issues?]*

The City removed lead and petroleum hydrocarbon contaminated fill material from the Project site as part of the excavation work which occurred between December 2017 and June 2018, and the City disposed of these materials at licensed landfills. [All required environmental approvals for the Project have been obtained.]

The Project was designed and developed through collaboration between the City's Real Estate Division and Goodwill SF Urban Development, LLC, the Project developer (the "Developer"). Skidmore, Owings & Merrill LLP is the architect for the Project. The general contractor for the Project is Charles Pankow Builders, Ltd. The City and the Developer entered into a Construction Management Agreement dated July 6, 2017 (the "Construction Management Agreement"), pursuant to which the Developer agreed to enter into, manage, monitor and oversee all contracts (including contracts with the architect and general contractor) required to complete the Project. Upon completion of the Project, or upon earlier termination of the Construction Management Agreement, the Developer will assign to the City and the City will assume all of the contracts entered into by the Developer, together with all intangible rights held by the Developer in the Project. The Construction Management Agreement provides for builder's risk insurance payable to the City in the event of property damage to the Project or liability claims.

The Project shares a 2.5-acre site with a neighboring 39-story, mixed-income, mixed-use development consisting of a 560-unit residential tower (the "Tower") developed by Related California ("Related"). The Tower will have approximately 700,000 square feet, including approximately 50,000 square feet of retail space, with 20% of the residential units reserved for affordable and low-income households. The City will not use any portion of the proceeds of the Certificates to finance the Tower, and the Tower will not be a part of the Leased Property. The City and Related retain reciprocal easements across select portions of the other party's property for maintenance and access across. Upon completion of the Project and the Tower, the City and Related may record a joint management agreement to memorialize maintenance responsibilities over common easement areas.

Project Costs

Total costs of the Project are expected to be approximately $[360] million, which includes a 5% contingency. The City has used amounts from the sale of certain City-owned property, other City funds, and the proceeds from the sale of commercial paper certificates of participation to finance part of the Project costs. The City plans to use a portion of the proceeds of the Certificates for reimbursement of certain of these Project costs and the retirement of the commercial paper certificates used to finance a portion of the Project Costs. Current estimated sources and uses for the Project are shown below:

Estimated Sources of Project Funds(1)	Amount (in millions)
Proceeds from Sale of City Property	$97.1
Other City Funds	6.7
Certificate Proceeds(2)	254.6
	$358.3
Estimated Uses of Project Funds(1)	
Acquisition, Design, Construction	$261.6
Architecture, Engineering, Permits, Other Soft Costs	28.8
Other Project Costs	36.4
Furniture, Fixtures and Equipment	28.4
Project Controls and Administration	3.3
	$358.3

(1) Preliminary, subject to change. Totals may not add up due to rounding of individual components.

(2) A portion of the proceeds of the Certificates will be used to retire commercial paper certificates used to finance a portion of the Project Costs.

The construction of the Project is currently [below/on/over] budget, as provided in the Construction Management Agreement.

See "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of proceeds of sale of the Certificates.

Project Schedule

Project construction began in the Fall of 2017 and is currently expected to be substantially completed in the Summer of 2020. The City estimates that the Project is ____% complete. [Estimated Project completion is currently consistent with the original schedule, as provided in the Construction Management Agreement.]

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Certificates:

Sources of Funds:	
Certificate Par Amount	
Plus: Net Original Issue Premium ...	
Less: Purchaser's Discount..............	
Total Sources	
Uses of Funds:	
Retirement of Commercial Paper.....	
Project Fund	
Base Rental Fund[(1)]	
2019 Reserve Account	
Costs of Delivery[(2)]...........................	
Total Uses...................................	

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(1) Represents capitalized interest through ________.

(2) Includes amounts for legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, appraisals and property condition report fees, escrow and title insurance fees, rounding amounts, printing costs and any other delivery costs.

BASE RENTAL PAYMENT SCHEDULE

The Lease Agreement requires the City to make Base Rental payments in arrears on each ______ and _______, commencing _______, 20__, in payment for the use and occupancy of the Leased Property during the term of the Lease Agreement.

The Trust Agreement requires that Base Rental payments be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, April 1 and October 1 of each year, commencing on _______ 1, 20__, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments with respect to the Certificates as the same become due and payable, as shown in the following table.

Payment Date	Principal	Interest	Debt Service	Fiscal Year Debt Service

2814141.7 041656 FILE

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Lease Agreement so long as the City has use and occupancy of the Leased Property. The Lease Agreement will terminate on April 1, 20__, or upon early payment of all of the Certificates in accordance with the Trust Agreement, unless extended upon the event of abatement. See "– Abatement of Base Rental Payments" below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding the Rebate Fund), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of the Leased Property), and eminent domain award not required to be used for repair or replacement of the Project or the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property, (iv) all amounts on hand from time to time in the Reserve Fund and the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to complete the Project or to pay costs of execution and delivery of the Certificates); and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. The City will pay to the Trustee the Base Rental payments to the extent required under the Lease Agreement, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest represented by the Certificates.

Covenant to Budget

The City will covenant in the Lease Agreement to take such action as may be necessary to include all Rental Payments as a separate line item in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Lease Agreement provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law and by the Charter, and it is the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

If the City defaults on its covenant in the Lease Agreement to include all Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may retain the Lease Agreement and hold the City liable for all Rental Payments on an annual basis.

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2018." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

The obligation of the City to make Base Rental or Additional Rental payments under the Lease Agreement will not constitute an obligation for which the City will be obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments will constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

Base Rental Payments; Additional Rental; Capitalized Interest

Base Rental Payments. The City will covenant in the Lease Agreement that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee will be required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any Fiscal Year will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year.

Base Rental payments will be payable by the City on _______ and _______ of each year during the term of the Lease, commencing _______, 20__, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of or defects in the title to the Leased Property, Base Rental payments will be subject to abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments will be payable solely from annual appropriations of the City from any legally available funds of the City and the City will covenant in the Lease Agreement to take such action as may be necessary to include all Base Rental and Additional Rental due under the Lease Agreement as a separate line item in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Lease Agreement. See "– Covenant to Budget" above.

Additional Rental. Additional Rental payments due from the City to the Trustee will include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement, deposits required to be made to the Rebate Fund, if any, and all other fees, costs and expenses of the Trustee incurred from time to time in administering the Lease Agreement and the Trust Agreement. The City will also be responsible for repair and maintenance of the Leased Property during the term of the Lease Agreement.

Capitalized Interest. Prior to completion of the Project, proceeds of the sale of the Certificates will be deposited into the Base Rental Fund in an amount sufficient to pay all interest evidenced and represented by the Certificates through _______, 20__.

Abatement of Base Rental Payments

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Lease Agreement will be deposited into the Base Rental Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease Agreement will be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Lease Agreement regarding rental abatement. See "CERTAIN RISK FACTORS – Abatement."

Rental Payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction or condemnation and end when use and occupancy or possession is restored. In the event of abatement, the term of the Lease Agreement may be extended until all amounts due under the Lease Agreement and the Trust Agreement are fully paid, but in no event later than April 1, 20__. See "CERTAIN RISK FACTORS – Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Lease Agreement will require the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Property Lease for a period of at least 24 months. Pursuant to the Lease Agreement, rental interruption insurance is required to insure only against loss of rental income from the Leased Property caused by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by the City's all risk property insurance on the Leased Property. The City will not be required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Lease Agreement [and the City does not currently have earthquake or flood insurance on the Leased Property.] See "– Insurance with Respect to the Leased Property" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee will be required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates. The City will also be required by the Lease Agreement to use insurance proceeds to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay Certificates such that resulting Rental Payments would be sufficient to pay all amounts due under the Lease Agreement and the Trust Agreement with respect to the Certificates remaining Outstanding. See "– Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease Agreement. See "– Substitution, Release and Addition of Leased Property" below. In addition, the Trust Agreement will establish a Reserve Fund and will require the Trustee to use any moneys on deposit in the Reserve Fund to make payments of principal and interest represented by the Certificates. See "– Reserve Fund" below.

Reserve Fund

The Trust Agreement establishes a Reserve Fund that will be held by the Trustee. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the 2019 Reserve Account of the Reserve Fund established under the Trust Agreement a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement. Amounts on deposit in the 2019 Reserve Account will only be available to support payments with respect to the Certificates.

The City may establish separate accounts in the Reserve Fund to support payments with respect to Additional Certificates. See "– Additional Certificates" below.

The Reserve Requirement with respect to the Certificates means, as of any date of calculation, the least of (i) the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates, or (iii) 10% of the stated principal amount evidenced by the Certificates (less original issue discount if in excess of two percent of the stated redemption price at maturity) originally executed and delivered. On the date of execution and delivery of the Certificates, the Reserve Requirement will be $________.

The Reserve Fund is required to be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease Agreement or until there are no longer any Certificates Outstanding; provided, however, that the Reserve Fund may be used to pay a portion of the final Base Rental Payment.

A Credit Facility in the amount of the Reserve Requirement may be substituted by the City at any time for all or a portion of the funds held by the Trustee in the Reserve Fund, provided that (i) such substitution will not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City will notify each Rating Agency prior to making any such substitution), as confirmed by each applicable Rating Agency in writing, and (ii) the Trustee receives an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy, such Credit Facility will be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted will be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee will transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency. In the event of any such transfer, the Trustee will immediately provide written notice to the City of the amount and the date of such transfer.

Replacement, Maintenance and Repairs

The Lease Agreement will require the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Lease Agreement. The Trust Agreement will require that if the Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Lease Agreement, provided however that the City's obligation to repair or replace any portion of the Leased Property pursuant to the Lease Agreement will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Lease Agreement, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of the Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the Lease Agreement; provided, however, that the City will not be required to repair or replace any such portion of the Leased Property if there is applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all of the Certificates Outstanding and to pay all other amounts due under the Lease Agreement and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Rental Payments payable in any Lease Agreement Year following such partial prepayment would be sufficient to pay in the then current and any future Lease Agreement Year the principal and interest evidenced and represented by all Certificates to remain Outstanding and all other amounts due under the Lease Agreement and under the Trust Agreement to the extent they are due and payable in such Lease Agreement Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENT."

Insurance with Respect to the Leased Property

The Lease Agreement will require the City to maintain or cause to be maintained throughout the term of the Lease Agreement (but during the period of construction of the Project only the insurance described in paragraphs (i) and (v) below will be required and may be provided by the contractor under the construction contract of the Project): (i) [general liability insurance against damages occasioned by construction of improvements to or operation of the Leased Property with minimum coverage limits of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained;] (ii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates, with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance (excluding earthquakes and flood), including a replacement cost endorsement; (iii) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident; (iv) commencing on the date of Final Completion of the Project, rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Lease Agreement for a period of 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under the Lease Agreement for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) above; and (v) builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Leased Property, which insurance will be outstanding until Final Completion of the Project. All policies of insurance required under the Lease Agreement may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City will also be required under the Lease Agreement to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates, and to deliver such policy to the Trustee promptly after the execution and delivery of the Certificates.

The City will not be required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Lease Agreement [and the City does not currently have earthquake or flood insurance on the Leased Property].

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE, EXCEPT FOR SELF-INSURANCE FOR RENTAL INTERRUPTION INSURANCE AND TITLE INSURANCE. The City expects to self-insure for general liability insurance only.

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Lease Agreement, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property, or (ii) the Lease Agreement will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of Certificates. If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the Lease Agreement will continue in full force and effect as to the remaining portions of the Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken or to the partial prepayment of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Eminent Domain" and "– LEASE AGREEMENT – Eminent Domain."

Substitution, Release, and Addition of Leased Property

If no Event of Default has occurred and is continuing under the Lease Agreement, the Lease Agreement may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Lease Agreement any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Lease Agreement. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENT – Substitution of Leased Property," "– Release of Leased Property" and "– Addition of Leased Property."

Additional Certificates

The City may, from time to time, amend the Trust Agreement and the Lease Agreement to authorize one or more series of Additional Certificates secured by Base Rental Payments under the Lease Agreement on a parity with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Lease Agreement and Property Lease would be sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Property.

CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Certificates. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Certificates. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental or Additional Rental payments will not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental or

Additional Rental payments will not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates will represent and will be payable solely from Base Rental payments to be made by the City pursuant to the Lease Agreement and amounts held in the Reserve Fund and the Base Rental Fund to be established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Lease Agreement, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued," "– Overlapping Debt," and "– Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Construction-Period Risk

Except to the extent of certain amounts available to the Trustee for payment of Base Rental, including capitalized interest deposited in the Base Rental Fund and amounts on deposit in the Reserve Fund, the obligation of the City under the Lease Agreement to make Base Rental payments will be dependent upon the City's use and right of occupancy of the Leased Property. Rental interruption insurance proceeds are not available for payment of Base Rental prior to the Final Completion of the Project.

During the construction period, the Project will be subject to all of the ordinary construction risks and delays applicable to projects of its kind. Such risks include but are not limited to (i) inclement weather, affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) natural disaster (including earthquake, for which losses are uninsured), operating risks or hazards or other unexpected conditions or events adversely affecting the progress of work; (iii) contractor claims or nonperformance; (iv) increased materials costs, labor costs, or failure of contractors to execute within contract price, resulting in insufficient funding for the Project; (v) work stoppages or slowdowns; (vi) failure of contractors to meet schedule terms; (vii) the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, which can arise at any time during the construction of the Project, or (viii) other factors.

There can be no assurance that final completion of the Project will not be delayed, preventing the City's use and occupancy of the Leased Property on the currently projected date. See "THE PROJECT AND THE LEASED PROPERTY."

Abatement

The obligation of the City under the Lease Agreement to make Base Rental payments will be in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the City's obligation to make Base Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

In the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Lease Agreement will be extended by the period during which the rental is abated under the Lease Agreement, except that such extension will in no event extend beyond April 1, 20__. Reserve Fund moneys and the proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property." and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Property.

In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Fund after such payments may be less than the Reserve Fund Requirement. The City will not be required by the Lease Agreement or the Trust Agreement, and cannot be compelled, to replenish the Reserve Fund to the Reserve Fund Requirement.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease Agreement or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the Reserve Fund and any available insurance proceeds, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease Agreement or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Lease Agreement will not be an event of default under the Trust Agreement or the Lease Agreement.

Notwithstanding the provisions of the Lease Agreement and the Trust Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates.

Reserve Fund

At the time of delivery of the Certificates, proceeds of the Certificates in the amount of the Reserve Requirement will be deposited in the 2019 Reserve Account in the Reserve Fund. In the event of abatement or default, the amounts on deposit in the Reserve Fund may be significantly less than the amount of Base Rental due at the time of abatement or default. The City has no obligation to restore the Reserve Fund if it is used to pay Base Rental.

Limited Recourse on Default; No Re-letting

The Lease Agreement and the Trust Agreement will provide that, if there is a default by the City, the Trustee will have the right, at its option, without any further demand or notice, so long as the Trustee does not terminate the Lease Agreement or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Lease Agreement, including the right to recover Base Rental Payments as they become due. The Trustee or any assignee of the rights of the Trustee under the Lease Agreement will not exercise its remedies under the Lease Agreement so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax.

Each and every remedy of the Trustee or any assignee of the rights of the Trustee under the Lease Agreement will be cumulative and the exercise of one remedy will not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly limits the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

[Under the Lease Agreement, The Trustee will waive any right of the Trustee to re-let the Leased Property.]

Enforcement of Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and will be subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Bankruptcy" herein.

No Acceleration on Default

In the event of a default, there will be no remedy of acceleration of the total Base Rental payments for the term of the Lease Agreement. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Release and Substitution of the Leased Property

The Lease Agreement will permit the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENT – Substitution of Leased Property" and "– Release of Leased Property." Although the Lease Agreement will require that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the Leased Property being replaced, it will not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates.

Bankruptcy

In addition to the limitations on remedies to be contained in the Trust Agreement and the Lease Agreement, the rights and remedies in the Trust Agreement and the Lease Agreement may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Lease Agreement was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Lease Agreement despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease Agreement (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

City Long-Term Financial Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see, for example, "Seismic Risks" and "Climate Change, Risk of Sea Level Rise and Flooding Damage" below). Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth $[35.2] billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $[11] billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

In addition, the City faces long-term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken major steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. In recent years, the City and voters have adopted changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last five fiscal years. As of June 30, 2019, the unaudited, estimated balance for such reserves is approximately $____ million, which is approximately ____% of General Fund revenues, [and is below adopted target levels of 10% of General Fund revenues. However, the City expects that meeting the 10% adopted target level of reserves will not eliminate the need to cut expenditures in a recession to balance the City's budget.]

Lastly, as the United States economy approaches its longest period of economic expansion in history, macro-economic issues such as rising interest rates or volatile capital markets could cool economic growth and may have particular impacts on locally-important industries such as technology, which has received large amounts of venture capital investment in the low-interest rate environment of the 2010s, and real estate, which could be adversely affected by rising mortgage rates and/or declining prices. While the City has retained a diverse economy compared to most other cities in the United States, its increasing reliance on the technology sector as a growth driver could create fiscal and economic risks in a recession that could disproportionately affect that sector.

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Seismic Risks

General. The City is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazards such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance, [and the City does not currently have earthquake or flood insurance on the Leased Property.] There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than $82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as $3 billion, with another $2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately $1.6 billion in Port assets and $2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See "Climate Change, Risk of Sea Level Rise and Flooding Damage" below.

Tall Buildings Safety Strategy Report and Executive Directive. The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings higher than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year.

The City obtains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A – "CITY

AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 (NCA4), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and the Port of San Francisco, joined a number of other public agencies to create "Adapt SF," which is now drafting a Citywide Sea Level Rise Vulnerability Assessment, a Citywide Sea Level Rise Risk Assessment, a Sea Level Rise Adaptation Plan, public maps and tools to communicate sea level rise impacts and implementation of near-term adaptation projects. The City's Sea Level Rise Action Plan states that one key missing piece of information is an understanding of the effects of climate change on precipitation. Certain City departments are engaging a consultant team to model future storm events, quantify how climate change impacts extreme storms, and prepare an action plan for addressing climate change for use by the City departments. The consultants' study is expected to be completed in 2019.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the

Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

The City has already incorporated site-specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about $8 million during fiscal year 2017-18 and consideration of financing options. The City expects short term upgrades to cost over $500 million and long-term upgrades to cost more than $5 billion.

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Certificates. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Proceeds of bonds issued under Proposition A (2018) are intended to fund the first of three repair and construction phases for the Embarcadero Seawall, which spans the northern shoreline of San Francisco from Fisherman's Wharf to China Basin.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. SFPUC's adopted fiscal year 2019-28 capital plan includes approximately $211 million for improvements to Mountain Tunnel to mitigate these vulnerabilities.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

With certain exceptions, the City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

Risk Management and Insurance

The Lease Agreement obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months' Base Rental payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Lease Agreement allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all hazards for which the Lease Agreement permits self-insurance. *[Confirm.]* See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit.

According to the City Controller, the City may exceed the Gann Limit in fiscal years following fiscal year 2020-21, depending on the timing and outcome of litigation regarding three legally-contested tax measures approved by voters in 2018. Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIIIB of the California Constitution."

Changes in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State or the Charter, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Articles XIIIC and XIIID of the California Constitution."

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

The City receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City's financial condition may also be impacted by the withholding of federal grants or other funds flowing to "sanctuary jurisdictions." The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations and the impact that such budgets will have on the City's finances and operations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES" and "– INVESTMENT OF CITY FUNDS."

Other

There may be other risk factors inherent in ownership of the Certificates in addition to those described in this section.

TAX MATTERS

Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Curls Bartling P.C., Oakland, California ("Co-Special Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City with certain covenants in the Lease Agreement and the Trust Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest respect to the Certificates to be included in gross income retroactive to the date of issuance of the Certificates.

In the further opinion of Co-Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference for purposes of the alternative minimum tax.

Ownership of, or the accrual or receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Co-Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Lease Agreement and Trust Agreement or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Co-Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Co-Special Counsel, or in reliance upon the advice of counsel other than Co-Special Counsel with respect to the exclusion from gross income of the interest respect to the Certificates for federal income tax purposes.

Co-Special Counsel's opinion is not a guarantee of a result, but represents its legal judgment based on its review of existing statutes, regulations, rulings and judicial decisions and the representations and covenants of the City. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Co-Special Counsel, and Co-Special Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest respect to the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future examination of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the examination, regardless of its ultimate outcome.

Original Issue Discount

The issue price of certain maturities of the Certificates (the "Discount Certificates") may be less than the principal amount of those maturities. In general, the issue price of a maturity of the Certificates is the first price at which a substantial amount of Certificates of that maturity was sold to the public (which excludes sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The excess of the principal amount of a Discount Certificate over its issue price (which may differ from its initial public offering price) is original issue discount. Original issue discount on a Discount Certificate accrues over the term of such Discount Certificate at a constant yield; and, within each semiannual period, original issue discount accrues on a ratable daily basis. To the extent it has accrued, original issue discount on a Discount Certificate is treated as interest excludable from gross income for federal income tax purposes subject to the conditions and limitations described above. Also, the amount of original issue discount that accrues on a Discount Certificate in each year is not an item of tax preference for purposes of the federal alternative minimum tax. Such accrued original issue discount, however, is taken into account in determining the distribution requirements of certain regulated investment companies and may also have other collateral federal income tax consequences. Consequently, owners of Discount Certificates should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Certificate increases the owner's adjusted basis in such Discount Certificate. This will affect the amount of taxable gain or loss realized by the owner of the Discount Certificate upon the redemption, prepayment, sale or other disposition of such Discount Certificate. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, prepayment, sale or other disposition of a Discount Certificate that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Certificates, other federal income tax consequences of owning and disposing of the Discount Certificates and any state and local tax consequences of owning and disposing of the Discount Certificates.

Premium

Certain of the Certificates may be purchased in the initial offering for an amount in excess of their principal amount (the "Premium Certificates"). The excess of the tax basis of a purchaser of a Premium Certificate (other than a purchaser who holds a Premium Certificate as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Certificate is "certificate premium." Certificate premium is amortized for federal income tax purposes over the term of a Premium Certificate based on the purchaser's yield to maturity in the Premium

Certificate, except that in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that result in the lowest yield on such Premium Certificate. A purchaser of a Premium Certificate is required to decrease his or her adjusted basis in such Premium Certificate by the amount of Certificate premium attributable to each taxable year in which such purchaser holds such Premium Certificate. The amount of certificate premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of certificate premium attributable to each taxable year and the effect of certificate premium on the sale or other disposition of a Premium Certificate, and with respect to the state and local tax consequences of owning and disposing of a Premium Certificate.

Information Reporting and Backup Withholding

Interest paid with respect to the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest with respect to the Certificates to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the opinion of Co-Special Counsel, under existing law, interest respect to the Certificates is exempt from personal income taxes imposed by the State of California.

Future Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Co-Special Counsel expresses no opinion.

A copy of the proposed form of the approving opinion of Co-Special Counsel is attached hereto as APPENDIX F.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the separate legal opinions of Norton Rose Fulbright US LLP, Los Angeles, California and Curls Bartling, P.C., Oakland, California, Co-Special Counsel. The signed legal opinions of Co-Special

Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to its date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible Commission and City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to the attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, or other person or party other than the City, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

PROFESSIONALS INVOLVED IN THE OFFERING

KNN Public Finance, LLC and Ross Financial have served as Co-Municipal Advisors to the City with respect to the sale of the Certificates. The Co-Municipal Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Co-Municipal Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Special Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates 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 City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2018-19, which is due not later than March 26, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www.sfgov.org/controller.

ABSENCE OF LITIGATION

[Confirm.] No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Lease Agreement, the Property Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith. The City will furnish to the initial purchasers of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "___," "___" and "___" respectively, to the Certificates. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Certificates. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. See "CONTINUING DISCLOSURE" herein.

SALE OF CERTIFICATES

The Certificates are scheduled to be sold at competitive bid on _______, as provided in the Official Notice of Sale, dated _______ (the "Official Notice of Sale"). The Official Notice of Sale provides that all Certificates would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Special Counsel and certain other conditions. The purchaser of the Certificates (the "Purchaser") will represent to the City that the Certificates have been reoffered to the public at the prices or yields to be stated on the inside cover page hereof, and the City will take no responsibility for the accuracy of those prices or yields. The Purchaser may offer and sell Certificates to certain dealers and others at yields that differ from those that will be stated on the inside cover. The offering prices or yields may be changed from time to time by the Purchaser.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchasers or Owners and beneficial owners of any of the Certificates.

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By:____________________________________

Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following summary discussion of selected features of the Trust Agreement, the Property Lease and the Lease Agreement, all to be dated as of [Month] 1, 2019, are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682.

[To come from Co-Special Counsel.]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(49 SOUTH VAN NESS PROJECT)
SERIES 2019A

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement (the "Trust Agreement"), dated as of [Month] 1, 2019, between the City and Zions Bancorporation, National Association, as trustee (the "Trust Agreement"). Pursuant to Section 8.10 of the Trust Agreement and [Section 5(k)] of that certain Lease Agreement, dated as of [Month] 1, 2019, by and between the Trustee and the City, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

"Annual Report" will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" will mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" will mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" will mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" will mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2019 Fiscal Year (which is due not later than March 26, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general-purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: __________.

CITY AND COUNTY OF SAN FRANCISCO

____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION (49 SOUTH VAN NESS PROJECT), SERIES 2019A
Date of Delivery:	________, 2019

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by ____________.

Dated: ______________

CITY AND COUNTY OF SAN FRANCISCO

By: ________ [to be signed only if filed] ________
Title: ________________________________

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the certificates (as used in this Section, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent or

bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

[To come]

APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of August 1, 2019.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") provides general information about the City's governance structure, budget processes, property taxation system and tax and other revenue sources, City expenditures, labor relations, employment benefits and retirement costs, 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 and should not be considered in making a decision to buy the bonds. 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 make an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State") and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades TK-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including a port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the

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"Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("PUC") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission and may remove department heads.

Mayor

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. Mayor Breed was elected on the June 4, 2018 special election to serve until January 2020, fulfilling the remaining term of the late Mayor Edwin Lee. In November 2019 Mayor Breed will stand for re-election to serve a full term. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed served as a member of the Board of Supervisors for six years, including the last three years as President of the Board.

Board of Supervisors

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

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CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires	
Sandra Lee Fewer, *District 1*	2017	2021	
Catherine Stefani, *District 2*	2018	2023	
Aaron Peskin, *District 3*	2017	2021	
Gordon Mar, *District 4*	2019	2023	
Vallie Brown, *District 5*	2017	2019	1
Matt Haney, *District 6*	2019	2023	
Norman Yee, Board President, *District 7*	2017	2021	
Rafael Mandelman, *District 8*	2018	2023	
Hillary Ronen, *District 9*	2017	2021	
Shamann Walton, *District 10*	2019	2023	
Ahsha Safai, *District 11*	2017	2021	

[1]Contest appears on the ballot because there was a vacancy, which was filled by appointment until voters elect someone to serve the remainder of the current term.

Other Elected and Appointed City Officers

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

The Assessor-Recorder administers the property tax assessment system of the City. Carmen Chu was re-elected to a four-year term as Assessor-Recorder of the City in November 2018. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new 10-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director during that period, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five- year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal position is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $12.3 billion, of

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which the City's General Fund accounts for approximately $6.1 billion. In fiscal year 2020-21 appropriated revenues, fund balance, transfers and reserves total approximately $12.0 billion, of which $6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016- 17 and 2017-18 and the Original Budgets for fiscal years 2018-19, 2019-20, and 2020-21. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 and 2020-21 adopted budgets, see "City Budget Adopted for Fiscal Years 2019-20 and 2020-21" herein.

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TABLE A-2

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CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2016-17 through 2020-21
(000s)

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Original Budget [5]	2019-20 Original Budget [6]	2020-21 Original Budget [6]
Prior-Year Budgetary Fund Balance & Reserves	$1,526,830	$1,999,334	$250,121	$299,880	$285,152
Budgeted Revenues					
Property Taxes[1]	$1,412,000	$1,557,000	$1,728,000	$1,956,008	$1,852,000
Business Taxes	669,450	750,820	879,380	1,050,620	1,095,900
Other Local Taxes[2]	1,126,245	1,112,570	1,053,390	1,144,376	1,118,372
Licenses, Permits and Franchises	28,876	29,964	30,833	30,431	31,154
Fines, Forfeitures and Penalties	4,671	4,579	3,125	3,125	3,127
Interest and Investment Earnings	13,971	18,615	27,270	76,590	86,590
Rents and Concessions	15,855	14,089	14,769	15,141	15,371
Grants and Subventions	978,252	965,549	1,051,643	1,088,615	1,084,379
Charges for Services	235,491	242,842	261,294	245,222	246,654
Other	58,776	40,130	41,050	69,424	42,065
Total Budgeted Revenues	$4,543,587	$4,736,158	$5,090,754	$5,679,551	$5,575,612
Bond Proceeds & Repayment of Loans	$881	$110	$87	-	-
Expenditure Appropriations					
Public Protection	$1,266,148	$1,316,870	$1,403,620	$1,493,084	$1,539,026
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
Culture and Recreation	139,473	142,081	165,784	173,969	179,282
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
General City Responsibilities[3]	134,153	114,219	183,159	193,971	213,545
Total Expenditure Appropriations	$3,700,689	$3,951,771	$4,325,611	$4,800,929	$4,735,089
Budgetary reserves and designations, net	$9,868	$0	$21,411	29,880	$20,451
Transfers In	$246,779	$232,032	$170,671	163,455	152,960
Transfers Out[4]	(857,528)	(1,009,967)	(1,164,612)	(1,312,077)	(1,258,185)
Net Transfers In/Out	($610,749)	($777,935)	($993,941)	($1,148,622)	($1,105,225)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$1,749,993	$2,005,897	-	-	-
Variance of Actual vs. Budget	249,475	336,422	-	-	-
Total Actual Budgetary Fund Balance	$1,999,468	$2,342,319	-	-	-

1 The City budgeted $185.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2019-20. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.

2 Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes. Other local taxes is budgeted to decline in FY 2020-21, primarily because transfer tax revenue is assumed to peak in FY 2018-19 and revert to its long-term historical average by FY 2020-21.

3 Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

4 Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

5 FY 2018-19 Final Revised Budget will be available upon release of the FY 2018-19 CAFR.

6 FY 2019-20 & FY 2020-21 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

Source: Office of the Controller, City and County of San Francisco.

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Budget Process

The City's fiscal year commences on July 1 and ends on June 30. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit a proposed budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from said website are not incorporated herein by reference. The City's Capital Planning Committee (composed of other City officials) also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year upon release of the City's CAFR to reflect the year-end revenue and expenditure appropriations for that fiscal year.

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Multi-Year Budgeting and Planning

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.

2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 4, 2019, for fiscal year 2019-20 through fiscal year 2023-24. See "Five Year Financial Plan" section below.

3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies include:

   - Non-Recurring Revenue Policy - This policy limits the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long- term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.

   - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in extensive detail below. [Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain unpredictable revenues. These and other reserves are discussed in detail under Rainy Day Reserve and Budget Stabilization Reserve below.]

4. The City is required to submit labor agreements for all public employee unions by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget.

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Role of Controller in Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then- current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's actual expenditures are often different from the estimated expenditures in the Original Budget due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2018-19 Nine Month Report (the "Nine Month Report"), on May 15, 2019. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 11, 2019 the Controller released the Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference. The six-month budget status report for fiscal year 2019-20 is expected to be published in February 2020.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2017-18 was issued on March 25, 2019. The fiscal year 2017-18 CAFR reported that as of June 30, 2018, the General Fund fund balance available for appropriation in subsequent years was $616.6 million (see Table A-4), which represents a $70.7 million increase in available fund balance from the $545.9 million available as of June 30, 2017. This resulted primarily from greater-than-budgeted property and business tax revenue and surpluses at the Department of Public Health, which was partially offset by under-performance in sales and transfer tax revenues in fiscal year 2017-18. Of the $616.6 million General Fund balance, $188.6 million was assumed in the fiscal year 2018-19 Original Budget and $223.3 million was assumed in the fiscal year 2019-20 Original Budget.

The audited General Fund fund balance as of June 30, 2018 was $2.2 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $5.0 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund fund balances are shown in Table A-3

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on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2014 through June 30, 2018.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2013-14 through 2017-18[1]
(000s)

	2013-14	2014-15	2015-16	2016-17	2017-18
Restricted for rainy day (Economic Stabilization account)[2]	$60,289	$71,904	$74,986	$78,336	$89,309
Restricted for rainy day (One-time Spending account)[2]	22,905	43,065	45,120	47,353	54,668
Committed for budget stabilization (citywide)[3]	132,264	132,264	178,434	323,204	369,958
Committed for Recreation & Parks savings reserve[4]	12,862	10,551	8,736	4,403	1,740
Assigned, not available for appropriation					
Assigned for encumbrances	$92,269	$137,641	$190,965	$244,158	$345,596
Assigned for appropriation carryforward	159,345	201,192	293,921	434,223	423,835
Assigned for budget savings incentive program (Citywide)[4]	32,088	33,939	58,907	67,450	73,650
Assigned for salaries and benefits [5]	10,040	20,155	18,203	23,051	23,931
Total Fund Balance Not Available for Appropriation	$522,062	$650,711	$869,272	$1,222,178	$1,382,687
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies[5]	$79,223	$131,970	$145,443	$136,080	$235,925
Assigned for subsequent year's budget	135,938	180,179	172,128	183,326	188,562
Unassigned for General Reserve[6]	45,748	62,579	76,913	95,156	106,878
Unassigned - Budgeted for use second budget year	137,075	194,082	191,202	288,185	223,251
Unassigned - Contingency for second budget year	-	-	60,000	60,000	160,000
Unassigned - Available for future appropriation	21,656	16,569	11,872	14,409	44,779
Total Fund Balance Available for Appropriation	$419,640	$585,379	$657,558	$777,156	$959,395
Total Fund Balance, Budget Basis	$941,702	$1,236,090	$1,526,830	$1,999,334	$2,342,082
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$941,702	$1,236,090	$1,526,830	$1,999,334	$2,342,082
Unrealized gain or loss on investments	935	1,141	343	(1,197)	(20,602)
Nonspendable fund balance	24,022	24,786	522	525	1,512
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(37,303)	(36,008)	(38,469)	(25,495)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(66,415)	(50,406)	(56,709)	(83,757)	(68,958)
Deferred Amounts on Loan Receivables	(21,670)	(23,212)	-	-	-
Pre-paid lease revenue	(5,709)	(5,900)	(5,816)	(5,733)	(6,598)
Total Fund Balance, GAAP Basis	$835,562	$1,145,196	$1,429,162	$1,870,703	$2,221,941

Source: Office of the Controller, City and County of San Francisco.

1 Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.

2 Additional information in Rainy Day Reserves section of Appendix A, following this table.

3 Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

4 Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.

5 Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.

6 Additional information in General Reserves section of Appendix A, following this table.

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-3 shows the City's various reserve balances as designations of fund balance. Key reserves are described below:

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 above. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve (not shown in Table A-3 because it is not part of the General Fund, it is reserved for SFUSD);
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2017-18 revenue exceeded the deposit threshold by $29.3 million, generating a deposit of $11.0 million to the City Reserve and $7.3 million to the Rainy Day One-Time Reserve. The FY 2017-18 ending balances are $89.3 million and $54.7 million, respectively, as shown in Table A-3. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide a budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives

The Charter stipulates that the City is eligible to withdraw from the Rainy Day Reserves only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

Fiscal year 2017-18 ending general fund unassigned fund balance was $91.6 million, triggering a $68.7 million deposit to the Budget Stabilization Reserve. However, $22.0 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a $46.8 million deposit to the Budget Stabilization Reserve and a fiscal year 2017-18 ending balance of $370.0 million, as shown in Table A-3. Under Board-adopted reserve policies, the City may withdraw from the Reserve only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscalyear.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, or $597.4 million given projected fiscal year 2018-19 revenues.. Under the City's current policy, once this threshold is reached, amounts are deposited into a non-recurring expenditure reserve ("Budget Stabilization One-Time Reserve") that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Given current estimates for FY 2018-19, the City will deposit $20.8 million into the non-recurring expenditure reserve. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, thereis no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may bedrawn. No deposits are required in years when the City is eligible to withdraw.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve if $106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, $20.4 was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of $128.3 million.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the a Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3 The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2017-18, the Recreation and Parks Savings Reserve had a balance of $1.7 million and the Citywide Budget Savings Incentive Reserve had a balance of $73.7 million.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $23.9 million as of FY 2017-18), and the Litigation and Public Health Management Reserve (balance of $235.9 million in FY 2017-18).

Operating Cash Reserve

Not shown in Table A-3, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Prior years audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]

Fiscal Years 2013-14 through 2017-18[2]

(000s)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues:					
Property Taxes	$1,178,277	$1,272,623	$1,393,574	$1,478,671	$1,673,950
Business Taxes	562,896	609,614	659,086	700,536	897,076
Other Local Taxes	922,205	1,085,381	1,054,109	1,203,587	1,093,769
Licenses, Permits and Franchises	26,975	27,789	27,909	29,336	28,803
Fines, Forfeitures and Penalties	5,281	6,369	8,985	2,734	7,966
Interest and Investment Income	7,866	7,867	9,613	14,439	16,245
Rents and Concessions	25,501	24,339	46,553	15,352	14,533
Intergovernmental	827,750	854,464	900,820	932,576	983,809
Charges for Services	180,850	215,036	233,976	220,877	248,926
Other	9,760	9,162	22,291	38,679	24,478
Total Revenues	$3,747,361	$4,112,644	$4,356,916	$4,636,787	$4,989,555
Expenditures:					
Public Protection	$1,096,839	$1,148,405	$1,204,666	$1,257,948	$1,312,582
Public Works, Transportation & Commerce	78,249	87,452	136,762	166,285	223,830
Human Welfare and Neighborhood Development	720,787	786,362	853,924	956,478	999,048
Community Health	668,701	650,741	666,138	600,067	706,322
Culture and Recreation	113,019	119,278	124,515	139,368	142,215
General Administration & Finance	190,335	208,695	223,844	238,064	244,773
General City Responsibilities	86,968	98,620	114,663	121,444	110,812
Total Expenditures	$2,954,898	$3,099,553	$3,324,512	$3,479,654	$3,739,582
Excess of Revenues over Expenditures	$792,463	$1,013,091	$1,032,404	$1,157,133	$1,249,973
Other Financing Sources (Uses):					
Transfers In	$216,449	$164,712	$209,494	$140,272	$112,228
Transfers Out	(720,806)	(873,741)	(962,343)	(857,629)	(1,010,785)
Other Financing Sources	6,585	5,572	4,411	1,765	-
Other Financing Uses	-	-	-	-	(178)
Total Other Financing Sources (Uses)	($497,772)	($703,457)	($748,438)	($715,592)	($898,735)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$294,691	$309,634	$283,966	$441,541	$351,238
Total Fund Balance at Beginning of Year	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703
Total Fund Balance at End of Year -- GAAP Basis	$835,562	$1,145,196	$1,429,162	$1,870,703	$2,221,941
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$178,066	$234,273	$249,238	$273,827	$286,143
-- Budget Basis	$294,669	$390,830	$435,202	$545,920	$616,592

[1] Summary of financial information derived from City CAFRs. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

[2] Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan

The Five-Year Financial Plan ("Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City currently updates the Plan annually.

On March 19, 2019, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan update for fiscal years 2019-20 through 2023-24, which projected cumulative annual shortfalls of $30.6 million, $125.5 million, $354.5 million, $533.9 million, and $694.5 million for fiscal years 2019-20 through 2023-24, respectively.

The Plan projects growth in General Fund revenues over the forecast period of 14%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 27% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City projects growth in General Fund sources of $769.4 million over the Plan period, and expenditure growth of $1.46 billion. The composition of the projected shortfall is shown in Table A-5 below:

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2019-20 through 2023-24
(000s)

	2019-20[1]	2020-21[1]	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	$274.6	$525.0	$562.8	$651.6	$769.4	
Uses:						
Baselines & Reserves	($65.1)	($103.4)	($139.7)	($184.5)	($245.6)	16.8%
Salaries & Benefits	(180.3)	(324.0)	(438.6)	(539.6)	(630.2)	43.1%
Citywide Operating Budget Costs	(64.0)	(193.0)	(251.7)	(334.8)	(416.4)	28.4%
Departmental Costs	4.2	(30.0)	(87.4)	(126.6)	(171.5)	11.7%
Total Uses - (Increase) / Decrease:	($305.2)	($650.5)	($917.3)	($1,185.4)	($1,463.8)	100.0%
Projected Cumulative Surplus / (Shortfall):	($30.6)	($125.5)	($354.5)	($533.9)	($694.5)	

[1] On August 1, 2019 the City adopted the budget for FY2019-20 and FY2020-21, as shown in Table A-2, with no projected shortfall in these years.

These figures incorporate the following key assumptions:

- **Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS' January 31, 2019 year-to-date return of 1%, projected employer contribution rates assume a 1% rate of return on SFERS investments in FY 2018-19, which will affect contribution rates beginning in FY 2020-21. The plan update continues to reflect the November 2018 decision of the San Francisco Retirement Board to lower the discount rate from 7.5% to 7.4%. The Plan does not assume any changes to existing funding policy and amortizes the 2018 supplemental COLA over five years per current policy.

- **Continued Increases in Wages and Health Care Costs:** The Plan assumes inflationary increases, based on the consumer price index, for most miscellaneous employees of 2.97% in fiscal year 2019-20, 2.79% in fiscal year 2020-21, 2.94% in fiscal year 2021-22, 3.02% in fiscal year 2022-23, and 3.00% in fiscal year 2023-24, as projected by the California Department of Finance and Moody's. For police officers and firefighters, the Plan assumes the cost of all negotiated terms, including wage rate increases of 3% in fiscal years 2019-20 and 2020-21, and increases of CPI, as above, thereafter.

- **Voter Adopted Revenue and Spending Requirements:** This Plan reflects the outcome of several local measures from 2018 elections, including voter adoption of a gross receipts tax on cannabis (November Proposition D) and the dedication of a portion of hotel tax revenue to arts and cultural organizations (November Proposition E). The Plan does not assume changes related to voter-approved measures to create dedicated gross receipts taxes on the lease of commercial space to support child care and education (June Proposition C) or additional gross receipts and payroll taxes on certain large businesses dedicated to housing and homeless services (November Proposition C). With the exception of a portion of proceeds from the June 2018 measure, from which 15% is allocated to the General Fund, revenue from these two measures is dedicated to specific purposes and subject to legal risk, as discussed below. Given current legal risks, revenue from these measures will be collected but will not be made available for appropriation.

- **Property Tax Shifts**: On November 29, 2018, the Controller's Office issued a memo notifying policymakers of a material update to current year revenue projections due to the reallocation of property tax revenue in the County's Educational Revenue Augmentation Fund (ERAF). The Controller estimates the City will recognize approximately $415.0 million in excess ERAF property tax revenue in fiscal year 2018-19, of which $208.0 million is attributable to fiscal year 2017-18 and $207.0 million to fiscal year 2018-19. Under Charter provisions adopted by the voters, approximately $78.0 million must be allocated to various baselines and approximately $156.0 million to Rainy Day Reserves, leaving approximately $181.0 million available for any purpose.

- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans and is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 enacted State budget, significant costs for this program were shifted from the state to counties. Cost increases are projected to grow from $56.0 million in fiscal year 2019-20 to $111.5 million in fiscal year 2023-24, due to the combined effects of a locally-approved minimum wage increase as well as the State's schedule of increasing cost shifts.

  Beyond the IHSS Cost Shift, the Plan does not assume significant changes in funding at the state or federal levels, although at the time of plan publication, the Governor's January budget proposal included meaningful savings relative to current projections. See "Budgetary Risks" below.

While the projected shortfalls reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, the Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

The Plan does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of economic expansion, and the current economic expansion has lasted over nine years.

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City Budget Adopted for Fiscal Years 2019-20 and 2020-21

On August 1, 2019, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2020 and June 30, 2021. The adopted budget closed the $30.6 million and $125.5 million General Fund projected shortfalls for fiscal years 2019-20 and 2020-21 identified in the City's March 2019 update to the Five- Year Financial Plan through a combination of increased revenue and expenditure savings.

The Original Budget for fiscal year 2019-20 and fiscal year 2020-21 totals $12.3 billion and $12.0 billion respectively. The General Fund portion of each year's budget is $6.1 billion in fiscal year 2019-20 and $6.0 billion in fiscal year 2020-21. There are 31,784 funded full-time positions in the fiscal year 2019-20 Original Budget and 32,052 in the fiscal year 2020-21 Original Budget.

Other Budget Updates

On June 11, 2019, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget ("Revenue Letter"). The Revenue Letter found that tax revenue assumptions are reasonable, and reserve and baselines are funded at or above required levels. The Revenue Letter notes that the budget draws on volatile revenues and reserves at a higher rate than recent years, to fund a variety of one-time purposes. The extraordinary revenue and reserve draws are primarily related to unexpected Excess ERAF monies.The letter also certified that the Original Budget for fiscal years 2019-20 and 2020-21 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses.

BUDGETARY RISKS

Impact of Bankruptcy Filing by The Pacific Gas and Electric Company (PG&E)

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection in the face of potential wildfire liability that has been estimated upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. In April 2019, the bankruptcy court granted relief to PG&E to pay property taxes and franchise fees. The City has indicated publicly that it may have an interest in acquiring certain PG&E distribution assets located in the City.

The PG&E bankruptcy is pending, and the City can give no assurance regarding the effect of a bankruptcy filing by PG&E, including whether there will be delays in the payment of property taxes in the future, or whether the City will be successful in its acquisition of the PG&E assets.

Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in California Cannabis Coalition v. City of Upland (August 28, 2017, No. S234148) interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C") for homelessness prevention and services. The estimated annual values of June Propositions C and G are approximately $146 million and $50 million, respectively. The estimated annual value of November Proposition C is approximately $250 million to $300 million.

In August 2018 the Howard Jarvis Taxpayers Association and several other plaintiffs filed a reverse validation action in San Francisco Superior Court challenging the validity of June Proposition C. In September 2018 the City initiated a validation action in the same court seeking a judicial declaration of the validity of Proposition G. In January 2019 the City initiated a similar validation action in the same court concerning November Proposition C. On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June Proposition C and November Proposition C, concluding that both measures~~,~~ which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June Proposition C, and resolution of the case is pending. To date, no appeal of the decision in the litigation concerning November Proposition C has been filed. The trial court has not reached a decision on Proposition G. While the City prevailed at trial on the November Proposition C and the June Proposition C, the City cannot provide any assurance regarding the outcome of these lawsuits.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2019-20 and 2020-21, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2018, the Governor signed the Fiscal Year 2019-20 State Budget (the "2019-20 State Budget"), appropriating $214.8 billion from the State's General Fund and other State funds. In the 2019-20 State Budget, General Fund appropriations total $147.8 billion. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full implementation of the Local Control Funding Formula and increases funding to community colleges and the university systems The Governor's Budget includes allocations of $650 million to counties to address homelessness, of which San Francisco is expected to receive approximately $35 million, as assumed in the City's budget.

The final 2018-19 State Budget continues to re-base the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The state budget modifies the cost-sharing structure for In-Home Supportive Services (IHSS), which will reduce costs for San Francisco compared to the significant increase borne by the City due to the original 2017-18 MOE. The City's budget assumes an increase of General Fund cost in fiscal year 2019-20 of $25.7 million compared to fiscal year 2018-19 or a total cost of $143.6 million and an additional $12.8 M million or a total cost of $156.4 million in fiscal year 2020- 21 to support the IHSS program, partially offset by health and welfare realignment subventions. These costs include funding to support increases in minimum hourly pay for IHSS workers due to recent changes in the City's Minimum Compensation Ordinance.

Impact of Federal Government on Local Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. For example, the City issued taxable obligations designated as "Build America Bonds," which BABs were entitled to receive a 35% subsidy payment from the federal government. In 2013, the United States federal government went through a period of sequestration and the 35% subsidy payment was reduced. As well, the federal government has from time to time threatened to withhold certain funds from 'sanctuary jurisdictions' of which the City is one. The federal district court issued a permanent injunction in November 2017 to prevent any such reduction in federal funding on this basis. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's adopted fiscal year 2019-20 and 2020-21 budgets establish a $40 million reserve to manage state, federal, and other revenue uncertainty.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (herein after the "Former Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine redevelopment project areas.

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that AB 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1/Candlestick Point of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects. The Successor Agency also issues community facilities district ("CFD") bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (SFCOE), SFCCD, Bay Area Air Quality Management District ("BAAQMD"), and the Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-31: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to The Successor Agency (more commonly known as OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received $158.6 million of property tax increment in fiscal year 2018-19 for recognized obligations, diverting about $88.2 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.26% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 86 for fiscal year 2018-19 compared to 111 for fiscal year 2017-18. The number of trustee deeds recorded in fiscal years 2016-17, 2015-16, 2014-15, 2013-14, 2012-13 and 2011-12 were 92, 212, 102, 187, 363, and 804 respectively. .

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TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2013-14 through 2019-20
(000s)

Fiscal Year	Net Assessed [1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307 [4]	8.4%	N/A	N/A	N/A	N/A

1 Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

2 Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

3 The Total Tax Levy and Total Tax Collected through fiscal year 2018-19 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2019-20 will be based upon initial assessed valuations times the secured property tax rate once the 2019-20 secured tax rate

4 Based on initial assessed valuations for fiscal year 2019-20.

Source: Office of the Controller, City and County of San Francisco.

SCO source noted in (3): http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf

At the start of fiscal year 2019-20, the total net assessed valuation of taxable property within the City was $281.1 billion. Of this total, $264.1 billion (93.9%) represents secured valuations and $17.0 billion (6.1%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold, or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2017-18 are listed in Table A-7 below.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2017-18
(000s)

Fiscal Year	Amount Refunded
2013-14	$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2019 the Assessor granted 2,546 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of $244.01 million (using the 2018-19 tax rate of 1.163% this equates to a reduction of approximately $2.84 million in general fund taxes), compared to July 1, 2018, when the Assessor granted 4,719 temporary reductions in property assessed values worth a total of $278.16 million (equating to a reduction of approximately $3.25 million in general fund taxes). Of the 2,546 total reductions, 569 temporary reductions were granted for residential or commercial properties. The remaining 1,977 reductions were for timeshares. The July 2019 temporary reductions of $244.01 million represents 0.09% of the fiscal year 2019-20 Net Assessed Valuation of $281.07 billion shown in Table A-6. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2019, the total number of open appeals before the AAB was 740, compared to 1,001 open AAB appeals as of June 30, 2018. As of June 30, 2019, there were 1,253 new applications filed during fiscal year 2018-19, compared to 1,636 new applications filed during the same period (June 30, 2018) of fiscal year 2017-18. Also, the difference between the current assessed value and the taxpayer's opinion of values for all the open appeals is $14.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about $174.1 million would result. The General Fund's portion of that potential $158.3 million would be approximately $83.2 million.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2017-18 was $2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City had budgeted to receive $1.6 billion into the General Fund and $201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive about $176.3 million and $33.1 million, respectively, and the local ERAF was estimated to receive $580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received $153 million. The remaining portion was allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

General Fund property tax revenues in fiscal year 2017-18 were $1.67 billion, representing an increase of $195.3 million (13.2%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at $1.73 billion for fiscal year 2018-19 representing an increase of $54.1 million (3.2%) over fiscal year 2017-18 actual. Fiscal year 2019-20 property tax revenue is budgeted at $1.96 billion, $230 million (or 13.3%) more than the fiscal year 2018-19 budget. About 80% of the large variance from fiscal 2018-19 is due to an additional year of excess Educational Revenue Augmentation Fund (ERAF) local property tax revenue anticipated to be shifted back to the General Fund from the county's ERAF over the course of the fiscal year. The fiscal year 2019-20 excess ERAF amount to benefit the General Fund is budgeted at $185.0 million. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues for fiscal years 2012-13 through 2016-17, and budgeted receipts for fiscal years 2017-18, 2018-19, and fiscal year 2019-20.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2017-18
(000s)

Year Ended	Amount Funded
2013-14	$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2018 are shown in Table A-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2019

Assessee	Location	Parcel Number	Type	Total Assessed Value [1]	% Basis of Levy [2]
SUTTER BAY HOSPITALS [3]	1101 - 1133 VAN NESS AVE	0695 007	HOSPITAL	$1,822,089,242	0.647%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	$1,691,744,881	0.601%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	$1,038,786,917	0.369%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	$1,005,060,856	0.357%
GSW ARENA LLC	1 WARRIORS WAY	8722 021	ENTERTAINMENT COMP	$994,001,961	0.353%
SUTTER BAY HOSPITALS [3]	3615 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	HOSPITAL	$854,219,935	0.303%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	$850,993,350	0.302%
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	$789,225,180	0.280%
SHR GROUP LLC	301 - 345 POWELL ST	0307 001	HOTEL	$751,943,504	0.267%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	$703,105,639	0.250%
				$10,501,171,465	3.729%

[1] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvments , personal property, and fixtures.

[2] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

[3] Nonprofit organization that is exempt from property taxes.

Source: Office of the Assessor-Recorder, City and County of San Francisco

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2019-20 valuation of property assessed by the State Board of Equalization is $3.7 billion.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City. The City's General Fund is also supported by other sources of revenue, including charges for services, fines and penalties, and transfers-in, which are not discussed below.

Business Taxes

Through tax year 2014 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and 0.38% in tax year 2018. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2018-19 is projected to be $1,003.3 million (all funds), representing an increase of $104.1 million (12%) from fiscal year 2017-18. Business tax revenue is budgeted at $1,072.7 million in fiscal year 2019-20 representing an increase of $69.4 million (6.9%) over fiscal year 2018-19 projected revenue. Business tax revenue is budgeted at $1,098.0 million in fiscal year 2020-21 representing an increase of $25.3 million (2.4%) over fiscal year 2019-20 budget. The vast majority of the City's business tax is deposited in the General Fund; approximately $2 million is allocated to the Neighborhood Beautification Fund. As noted above, these figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018. See "Five Year Financial Plan" section.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2015-16 through 2020-21
All Funds
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$660,926	$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19 *projected*[2]	1,003,280	104,138	11.6%
2019-20 *budgeted*[3]	1,072,720	69,440	6.9%
2020-21 *budgeted*[3]	1,098,000	25,280	2.4%

[1] Figures for fiscal years 2015-16 through 2017-18 are audited actuals.
Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.
[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.
[3] Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.
Source: Office of the Controller, City and County of San Francisco.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double-digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR growth has fully recovered in FY 2018-19 recover Projected hotel tax revenue in fiscal year 2018-19 is projected to be $408.7 million, an increase of $21.7 million (5.6%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be $427.1 million, representing growth of $18.4 million (4.5%). In fiscal year 2020-21, hotel tax revenue is budgeted to be $435.6 million, an increase of $8.5 million (2.0%) from fiscal year 2019-20 budget. Budgeted hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately $3 to 5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $16 to $34 million of hotel tax is allocated for arts and cultural programs.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2015-16 through 2020-21
All Funds
(000s)

Fiscal Year[1]	Tax Rate	Revenue	Change	
2015-16	14.0%	$392,686	($6,678)	-1.7%
2016-17	14.0%	375,289	(17,397)	-4.4%
2017-18	14.0%	387,006	11,716	3.1%
2018-19 projected[2]	14.0%	408,680	21,674	5.6%
2019-20 budgeted[3]	14.0%	427,080	18,400	4.5%
2020-21 budgeted[3]	14.0%	435,622	8,542	2.0%

[1] Figures for fiscal year 2015-16 through fiscal year 2017-18 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

[3] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which takes effect January 1, 2019.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million.

Projected real property transfer tax ("RPTT") revenue for fiscal year 2018-19 is $338.7 million, a $58.3 million (20.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be $296.1 million, $42.6 million (12.6%) less than projected fiscal year 2018-19 and fiscal year 2020-21, RPTT revenue is budgeted to be $253.4 million, $42.6 million (14.4%) less than projected fiscal year 2019-20. The declines are due to the assumption that RPTT collections will return to their historic average by FY 2020-21. The entirety of RPTT revenue goes to the General Fund.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$269,090	($45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19 *projected*[2]	338,680	58,264	20.8%
2019-20 *budgeted*[3]	296,053	(42,627)	-12.6%
2020-21 *budgeted*[3]	253,420	(42,633)	-14.4%

[1] Figures for fiscal year 2015-16 through 2017-18 are audited actuals.
[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.
[3] Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.
Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. Between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of City's 1.00% local share of the sales tax and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1.00% local tax is recorded in the General Fund.

The component of San Francisco's 8.5% sales tax rate is shown in table A-12 below. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

TABLE A-12

San Francisco's Sales & Use Tax Rate	
State Sales Tax	**6.00%**
State General Fund	3.9375%
Local Realignment Fund 2011	1.0625%
Local Revenue Fund (to counties for health & welfare)	0.50%
Public Safety Fund (to counties & cities)	0.50%
Local Sales Tax	**1.25%**
Local Sales Tax (to General Fund)	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	**1.25%**
SF County Transportation Authority	0.50%
Bay Area Rapid Transit (BART)	0.50%
SF Public Financing Authority (Schools)	0.25%
TOTAL Sales Tax Rate	**8.50%**

Source: Office of the Controller, City and County of San Francisco.

Projected local sales tax (the 1% portion) for fiscal year 2018-19 is $204.3 million, $11.3 million (5.9%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be $204.1million, a decrease of $0.2 million (0.1%) from projected fiscal year 2018-19. Fiscal year 2020-21 revenue is budgeted to be $206.0 million, an increase of $1.9 million (1.0%) from fiscal year 2019-20 budget. [The entirety of sales tax revenue is deposited in the General Fund.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

Table A-13 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21. The fiscal year 2015-16 figure include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

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TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2015-16	8.75%	0.75%	$167,915	$27,769	19.8%
2015-16 adj.[2]	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19 *projected*[3]	8.50%	1.00%	204,280	11,334	5.9%
2019-20 *budgeted*[4]	8.50%	1.00%	204,085	(195)	-0.1%
2020-21 *budgeted*[4]	8.50%	1.00%	206,028	1,943	1.0%

1 Figures for fiscal year 2015-16 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

2 The 2015-16 adjusted figures include the State's final payment to the counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through

3 Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

4 Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – A charge of $3.64 on every telecommunications line, $27.35 on every trunk line, and $492.32 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).

- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-14 reflects the City's actual tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2015-16 through 2020-21
All Funds
(000s)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Projected	2019-20 Budget	2020-21 Budget
Utility Users Tax	$98,651	$101,203	$94,460	$97,553	$98,710	$99,890
Access Line Tax	43,617	46,530	51,255	47,500	48,910	50,280
Parking Tax	86,012	84,278	83,484	83,161	83,000	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,000	16,000	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,200	5,500	5,500
Cannabis Tax	N/A	N/A	N/A	1,500	3,000	7,250
Franchise Tax	16,823	17,130	16,869	17,480	17,650	17,830

Source: Office of the Controller, City and County of San Francisco.

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INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.
- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.
- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-15 reflects the City's actual receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

Table A-15

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2015-16 through 2020-21
(000s)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Projected[1]	2019-20 Budget[2]	2020-21 Budget[2]
Health and Welfare Realignment						
General Fund	$176.3	$192.1	$197.9	$219.2	$221.0	$224.8
Hospital Fund	52.2	66.1	57.3	58.4	59.1	59.1
Total - Health and Welfare	**$228.5**	**$258.2**	**$255.2**	**$277.5**	**$280.1**	**$283.9**
Public Safety Realignment (General Fund)	$39.8	$35.5	$37.4	$40.0	$42.1	$42.8
Public Safety Sales Tax (Prop 172) (General Fund)	$97.0	$100.4	$104.8	$106.2	$104.6	$106.9

Notes
1 Figure for fiscal year 2018-19 from Controller's Nine-Month Report.
2 Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-16 below:

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2016-17 through 2020-21
(000s)

Major Service Areas	2016-17 Final Budget	2017-18 Final Budget	2018-19 Original Budget	2019-20 Original Budget	2020-21 Original Budget
Public Protection	$1,266,148	$1,316,870	$1,403,620	$1,493,084	$1,539,026
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
Culture & Recreation	139,473	142,081	165,784	173,969	179,282
General City Responsibilities	134,153	114,219	183,159	193,971	213,545
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Total*	$3,700,689	$3,951,771	$4,325,611	$4,800,929	$4,735,089

*Total may not add due to rounding
Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds (which are not shown on the table above) are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-17 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 and fiscal year 2020-21 budget was finally adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2019-20 and 2020-21
(000s)

	2019-20 Original Budget	2020-21 Original Budget
Projected General Fund Aggregate Discretionary Revenue (ADR)	*$4,205.3*	*$4,135.3*
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	$281.2	$276.5
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	103.7
MTA - Population Adjustment	56.3	60.6
MTA - 80% Parking Tax In-Lieu	66.4	66.4
Subtotal - MTA	**$509.3**	**$507.1**
Library Preservation Fund		
Library - Baseline: 2.286% ADR	$96.1	$94.5
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3	68.3
Subtotal - Library	**$161.4**	**$162.9**
Children's Services		
Children's Services Baseline - Requirement: 4.830% ADR	*$203.1*	*$199.7*
Children's Services Baseline - Eligible Items Budgeted	223.2	201.6
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*24.4*	*24.0*
Transitional Aged Youth Baseline - Eligible Items Budgeted	28.9	29.2
Public Education Services Baseline: 0.290% ADR	12.2	12.0
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5	109.3
Public Education Enrichment Fund: 3.057% ADR	*128.6*	*126.4*
1/3 Annual Contribution to Preschool for All	42.9	42.1
2/3 Annual Contribution to SF Unified School District	85.7	84.3
Subtotal - Children's Services	**$497.3**	**$478.6**
Recreation and Parks		
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	$65.3	$68.3
Recreation & Parks Baseline - Requirement	76.2	79.2
Recreation & Parks Baseline - Budgeted	82.0	83.2
Subtotal - Recreation and Parks	**$147.3**	**$151.6**
Other		
Housing Trust Fund Requirement	$36.8	$39.6
Housing Trust Fund Budget	57.1	39.6
Dignity Fund	50.1	53.1
Street Tree Maintenance Fund: 0.5154% ADR	21.7	21.3
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.5	3.6
City Services Auditor: 0.2% of Citywide Budget	20.1	19.6
Subtotal - Other	**$152.4**	**$137.3**
Total	**$1,467.6**	**$1,437.4**

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $5.6 billion in the fiscal year 2019-20 Original Budget (all-funds), and $5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.6 billion in the fiscal year 2018-19 Original Budget and $2.8 billion in the fiscal year 2019-20 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SF Unified School District ("SFUSD"), SF Community College District ("SFCCD") and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2019-20 and 2020-21 includes 37,907 and 38,122 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

Wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of impasse. If impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Nurses and a small group of unrepresented employees. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of sworn police officers and fire fighters.

In May 2019, the City negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with 27 labor unions. This includes the largest unions in the City such as Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), Laborers Internationals, Local 261, Consolidated Crafts Coalition, and Municipal Executive Association ("MEA"). For the fiscal year 2019-20, the parties agreed to wage increases of 3% on July 1, 2019 and 1% on December 28, 2019. For fiscal year 2020-21, the parties agreed to a wage increase schedule of 3% on July 1, 2020 and 1% on December 26, 2020, with a provision to delay the fiscal year 2020-21 adjustment by six months if the City's deficit for fiscal year 2020-21, as projected in the March 2020 Update to the Five-Year Financial Plan, exceeds $200 million. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 adjustment by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds $200 million.

Also, in May 2019, the SFMTA negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others. The parties agreed to the same wage increase schedule as the City.

In addition to the wage pattern, the City and the unions worked together to achieve important operational changes that will lead to more efficient, compliant, and fair workplaces across City departments. This includes updating the provisions for deductions of Union dues after the Janus decision, standardizing provisions for grievance procedure to encourage resolution of disputes at the lowest step, and formation of joint City-Union committees to promote diversity and fairness in City's employment.

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TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of August 1, 2019

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	504	30-Jun-22
Bricklayers, Local 3	10	30-Jun-22
Building Inspectors' Association	90	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	45	30-Jun-22
Deputy Probation Officers' Association (DPOA)	142	30-Jun-22
Deputy Sheriffs' Association (DSA)	824	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	984	30-Jun-22
Firefighters' Association, Local 798 Unit 1	1,834	30-Jun-21
Firefighters' Association, Local 798 Unit 2	63	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 166	8	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Institutional Police Officers' Association	1	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,150	30-Jun-22
Law Librarian and Asst Librarian	2	-
Municipal Attorneys' Association (MAA)	477	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,438	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	65	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	134	30-Jun-22
Pile Drivers, Local 34	37	30-Jun-22
Plumbers, Local 38	352	30-Jun-22
Police Officers' Association (POA)	2,747	30-Jun-21
Professional and Technical Engineers, Local 21	6,436	30-Jun-22
Roofers, Local 40	13	30-Jun-22
SEIU, Local 1021 H-1s	1	30-Jun-20
SEIU, Local 1021 Misc	12,711	30-Jun-22
SEIU, Local 1021 Nurses	1,733	30-Jun-22
Sheet Metal Workers, Local 104	41	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	109	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	703	30-Jun-22
Teamsters, Local 853	178	30-Jun-22
Teamsters, Local 856 Miscellaneous	99	30-Jun-22
Teamsters, Local 856 Supervising Nurses	127	30-Jun-22
TWU, Local 200	385	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	50	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,721	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	203	30-Jun-22
Unrepresented Employees	88	30-Jun-22
Other	872	
	37,907 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.
Budgeted positions include authorized positions that are not currently funded.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as chief executive officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

The Internal Revenue Service ("IRS") issued a favorable Determination Letter for SFERS in July 2014. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax-exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011. This 2014 Determination Letter has no operative expiration date pursuant to Revenue Procedure 2016-37. The IRS does not intend to issue new determination letters except under special exceptions.

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2018 is 43,129, compared to 41,867 at July 1, 2017. Active membership at July 1, 2018 includes 8,123 terminated vested members and 1,060 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,965 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-19 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2014 through July 1, 2018.

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TABLE A-19

City and County of San Francisco
Employees' Retirement System
July 1, 2014 through July 1, 2018

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See http://mysfers.org/resources/publications/sfers-actuarial-valuations/. The information therein is not incorporated by reference in this Official Statement.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the November 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1, 2017 actuarial valuation. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2016-17 total City employer contributions were $519.1 million, which included $230.1 million from the General Fund. Fiscal year 2017-18 total City employer contributions were $582.6 million, which included $315.3 million from the General Fund. For fiscal year 2018-19, total City employer contributions to the Retirement System are budgeted at $589.9 million, which includes $277.6 million from the General Fund. These budgeted amounts are based upon the fiscal year 2018-19 employer contribution rate of 23.31% (estimated to be 19.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2019-20 employer contribution rate is 25.19% (estimated to be 21.8% after cost-sharing). The increase in employer contribution rate from 23.31% to 25.19% reflects the decrease in discount rate from 7.50% to 7.40%, a new Supplemental COLA effective July 1, 2018, and the continued phase-in of the 2015 demographic assumption changes approved by the Retirement Board. The increase is offset by investment returns better than assumed. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-20 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2013-14 through 2017-18. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-20

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2013-14 through 2017-18
(000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2014	$21,122,567	$19,920,607	$18,012,088	94.3%	85.3%	$821,902	24.82%
2015	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2017	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40
2018	27,335,417	24,557,966	23,866,028	89.8	87.3	983,763	23.46

[1] Employer contribution rates for fiscal years 2018-19 and 2019-20 are 23.31% and 25.19%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st.
See http://mysfers.org/resources/publications/.The information on such website is not incorporated hereing by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2018, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to six basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAS that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAS that have been already been granted as of the valuation date.

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Table A-20A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-20A

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2013-14 through 2017-18
(000s)

As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2014	$21,691,042	7.58 %	$19,920,607	91.8 %	$1,770,435	$1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2016	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2017	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131
2018	28,840,673	7.50	24,557,966	85.2	4,282,707	4,030,207

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The decline in the City's net pension liability at the last two fiscal year-ends is due to investment returns during those fiscal years that exceeded the assumed 7.50%.

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2018, see the City's CAFR.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2018 were 9.61%. For the ten-year and twenty-year periods ending June 30, 2018, annualized investment returns were 6.87% and 7.22% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

2011 Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

Voters of San Francisco approved Proposition C in November 2011 which provided the following:

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between $50,000 and $100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn $100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and its implementation increased the July 1, 2016 unfunded actuarial liability by $429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the SFERS Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of $34 million, create additional liability for continuing payments of $114 million, and cause a new unfunded liability of $148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be $260 million, with over $200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board appealed the Superior Court's injunction; however, the injunction was affirmed by the Court of Appeal reserving the power to take action for the City's voters..

In August 2012, Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2018, the audited market value of Retirement System assets was $24.6 billion. As of June 30, 2019, the unaudited market value of SFERS' portfolio was $25.8 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The estimated total employer contributions to CalPERS was $31.8 million in fiscal year 2016-17, $34.8 million in fiscal year 2017-18, and $39.4 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18 and 2018-19 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2017. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the SFHSS Beneficiaries are funded. The San Francisco Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained on the SFHSS website or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the SFHSS website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, the Health Service Trust Fund is not currently affected by GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), or GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions and exchanged for a percentage-based employee premium contribution. The long-term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*– Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare. In addition to the 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

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City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in the table below. In 2019, the provision for retirees who have at least 10 but less than 15 years of Credited Service with the Employers will apply for the first time.

Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009	
Years of Credited Service at Retirement	Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3)
Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) **(A8.428 Subsection (b)(6))**	0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage
At least 10 but less than 15 years of Credited Service with the Employers **(AB.428 Subsection (b)(5))**	50%
At least 15 but less than 20 years pf Credited Service with the Employers **(AB.428 Subsection (b)(5))**	75%
At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(AB.428 Subsection (b)(4))**	100%

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress in December 2017 and January 2018, respectively, have amended and repealed some of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT"). The ACT eliminated the ACA's individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate, rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to SFHSS members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing high cost, limit duration COBRA benefits instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-65 retirees. In addition, the overall cost of health care may increase as a result of changes in risk pools due to the young, heathy population not electing coverage.

On January 22, 2018 Congress approved the delay of three ACA taxes that impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**
  The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. Implementation of the tax has been delayed twice and is now effective in 2022. SFHSS continues to evaluate the future impact of the cost of medical benefits for all coverage tiers and it is expected that the plans for pre-65 retirees will trigger the tax first.

- **Health Insurance Tax ("HIT")**
  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.

- **Medical Device Excise Tax**
  The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

The Patient Centered Outcomes Research Institute ("PCORI") fee is a provision of the Affordable Care Act and sunsets after the 2018 plan year. Beginning in 2013, the PCORI Fee was assessed at the rate of $2.00 per enrollee per year to all participants in the Self-Insured medical-only plan. The 2018 plan year PCORI fee is $2.39 per enrollee per year and was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year. The final payment for the PCORI fee, due in July 2019, will be approximately $6,000.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax will apply to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2. Statues 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The average fee is $1.30 per covered life per month for January 2019 until its sunsets and in 2019 the obligation is expected to be approximately $0.6 million for the City and County of San Francisco.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care, and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

As mentioned above, on November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. In addition, the Proposition requires employees hired on or before January 9, 2009 to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning July 1, 2016. The contribution requirement increased to 0.50% effective July 1, 2017, 0.75% effective July 1, 2018 and will cap out at 1.00% on July 1, 2019. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2017-18, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $758.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $642.5 million; approximately $178.5 million of this $642.5 million amount was for health care benefits for approximately 21,970 retired City employees and their eligible dependents and approximately $464.0 million was for benefits for approximately 32,597 active City employees and their eligible dependents.

The 2019 aggregate cost of benefits offered by SFHSS to the City increased by 2.47%. This increase is due to several factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. In 2019, the initial estimated aggregate cost of benefits offered by SFHSS to the City, before any negotiations with the plans, show an increase of 7.4%.

Post-Employment Health Care Benefits

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to 3% of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

1. The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,

2. The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,

3. The Controller, Mayor, Trust Board and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements

The City was required to begin reporting the liability and related information for unfunded OPEBs in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under GASB 45. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

GASB 75 Reporting Requirements

In June 2015, GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City is implementing the provisions of GASB 75 in its audited financial statements for Fiscal Year 2017-18. According to GASB's Summary of GASB 75, GASB 75 will require recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability. The GASB 75 Summary also states that the consistency, comparability, and transparency of the information reported will be improved through the following requirements:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return;

- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations;

- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms; and,

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

City's Estimated Liability [update to come]

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to thecovered payroll was 160.8%.

The difference between the estimated annual required contribution ("ARC") and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2016-17 annual OPEB cost was $401.4 million, of which the City funded $175.0 million which caused, among other impacts, the City's long-term liability to increase by $237.5 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2018. Five-year trend information is displayed in Table A-21.

TABLE A-21 [update to come]

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2012-13 to 2016-17[1]
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	$418,539	38.3%	$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

[1] Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. In accordance with GASB 75, the City's actuarial analysis is updated every two years. As of June 30, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $187.4 million, an increase of 63% versus the prior year. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but is expected to grow as the workforce retires and this requirement was extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2018 is approximately $240.1 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-22 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-22 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2015-16 to fiscal year 2020-21.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2015-16 through 2020-21
(000s)

	2015-16 Actual[1]	2016-17 Actual[1]	2017-18 Actual[1]	2018-19 Budget[4]	2019-20 Budget[4]	2020-21 Budget[4]
SFERS and PERS Retirement Contributions	$531,821	$554,956	$621,055	$628,601	$733,385	$799,404
Social Security & Medicare	184,530	196,914	$212,782	$215,164	$229,342	$238,401
Health - Medical + Dental, active employees [2]	421,864	459,772	$501,831	$508,108	$525,511	$553,208
Health - Retiree Medical [2]	158,939	165,822	$178,378	$186,742	$195,607	$212,584
Other Benefits [3]	20,827	21,388	$44,564	$21,229	$23,308	$46,748
Total Benefit Costs	$1,317,981	$1,398,852	$1,558,609	$1,559,844	$1,707,153	$1,850,345

[1] Fiscal year 2015-16 through fiscal year 2017-18 figures are audited actuals.
[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
[4] Figures for fiscal years 2018-19, 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

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INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of July 31, 2019, the City's surplus investment fund consisted of the investments classified in Table A-23 and had the investment maturity distribution presented in Table A-24.

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TABLE A-23

City and County of San Francisco
Investment Portfolio for Pooled Funds
As of July 31, 2019

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$725,000,000	$719,134,974	$723,026,500
Federal Agencies	5,559,650,000	5,556,375,094	5,567,477,883
State and Local Obligations	89,231,641	90,519,038	89,496,780
Public Time Deposits	35,000,000	35,000,000	35,000,000
Negotiable Certificates of Deposit	2,190,000,000	2,190,000,000	2,193,952,523
Commercial Paper	763,000,000	755,201,993	760,311,299
Medium Term Notes	34,650,000	34,536,271	34,679,484
Money Market Funds	478,803,362	478,803,362	478,803,362
Supranationals	851,151,000	846,659,623	851,263,451
Total	$10,726,486,003	$10,706,230,355	$10,734,011,282

July 2019 Earned Income Yield: 2.376%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-24

City and County of San Francisco
Investment Maturity Distribution of Pooled Funds
As of July 31, 2019

Maturity in Months			Par Value	Percentage
0	to	1	$1,323,263,362	12.34%
1	to	2	732,716,000	6.83%
2	to	3	864,300,000	8.06%
3	to	4	443,600,000	4.14%
4	to	5	506,360,000	4.72%
5	to	6	337,295,000	3.14%
6	to	12	1,711,035,000	15.95%
12	to	24	2,401,716,641	22.39%
24	to	36	1,456,200,000	13.58%
36	to	48	150,000,000	1.40%
48	to	60	800,000,000	7.46%
			$10,726,486,003	100.0%

Weighted Average Maturity: 468 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2018 are described in the City's CAFR, Notes 2(c) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains $39.1 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $2.2 billion for General Fund pay-as- you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources, as summarized in Table A-25 below.

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TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Planned Funding Sourced for General Fund Departments
Fiscal Years 2019-20 through 2028-29
(000s)

Funding Source	Amount
General Fund	$1,816
General Obligation Bonds	1,651
Other Debt	678
Federal, State, and Other Sources	920
Total	**$5,065** [1]

[1] Total may not foot due to rounding.
Source: Capital Planning, City and County of San Francisco.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends $20.3 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $10.2 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs including enhancements are deferred from the plan's horizon.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of June 30, 2019, the City had approximately $2.29 billion aggregate principal amount of general obligation bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

Table A-26 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
June 30, 2019 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2019-20[3]	$139,571,232	$97,182,913	$236,754,145
2020-21	137,850,457	90,516,358	228,366,815
2021-22	144,593,400	84,183,522	228,776,922
2022-23	149,075,251	77,455,698	226,530,949
2023-24	152,516,206	70,331,730	222,847,936
2024-25	154,256,476	63,008,608	217,265,084
2025-26	150,461,279	55,751,332	206,212,611
2026-27	156,635,840	49,033,182	205,669,022
2027-28	162,249,035	42,379,634	204,628,669
2028-29	163,376,751	35,914,335	199,291,086
2029-30	160,425,095	29,290,830	189,715,925
2030-31	123,171,950	22,903,517	146,075,467
2031-32	127,325,000	18,439,873	145,764,873
2032-33	93,645,000	13,887,254	107,532,254
2033-34	70,280,000	10,364,161	80,644,161
2034-35	62,675,000	7,774,741	70,449,741
2035-36	42,920,000	5,485,320	48,405,320
2036-37	31,275,000	3,969,479	35,244,479
2037-38	21,325,000	2,869,529	24,194,529
2038-39	1,660,000	2,089,767	3,749,767
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL [4]	**$2,293,487,972**	**$805,850,417**	**$3,099,338,389**

[1] This table includes the City's General Obligation Bonds shown in Table A-24 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Excludes payments made to date in current fiscal year

[4] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal

Source: Office of Public Finance, City and County of San Francisco.

Authorized but Unissued City General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

Approved by voters in November 1992, Proposition A authorized the issuance of up to $350.0 million in general obligation bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015 the City issued $89.3 million of bonds under the original Proposition A authorization. In November 2016 voters approved Proposition C, which amended the 1992 Proposition A authorization (the "Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In early 2019, $72.4 million of bonds were issued under the Propositions. Currently $188.3 million remains authorized and unissued.

In November 2012, voters approved Proposition B (the "2012 Parks Proposition"), which authorized the issuance of up to $195.0 million in general obligation bonds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City has issued $191.9 million over three series of bonds between 2013 and 2018, leaving $3.1 million authorized and unissued.

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to $500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City has issued $241.5 million over two series of bonds in 2015 and 2018, leaving $258.5 million authorized and unissued.

In November 2015, voters approved Proposition A (the "2015 Affordable Housing Proposition") which authorized the issuance of up to $310.0 million in general obligation bonds for the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City has issued $217.3 million over two series of bonds in 2016 and 2018, leaving $92.7 million authorized and unissued.

In June 2016, voters approved Proposition A (the "2016 Public Health & Safety Proposition"), which authorized the issuance of up to $350.0 million in general obligation bonds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City has issued $223.1 million over two series of the bonds in 2017 and 2018, leaving $126.9 million authorized and unissued.

In November 2018, voters approved Proposition A ("the 2018 Seawall Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. Bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the "2004 Resolution"). The 2004 Resolution authorized the issuance of $800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance $1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-27 below.

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of August 1, 2019

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$3,480,000
2011-R1	November 2011	339,475,000	149,240,000 [1]
2015-R1	February 2015	293,910,000	234,310,000 [2]

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

Table A-28 below lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of August 1, 2019, the City had authorized and unissued general obligation bond authority of approximately $1.1 billion.

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of August 1, 2019

Description of Issue (Authorization Amount - Date of Authorization)	Authorization Amount	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (Prop A - 11/3/92)[2]	$350,000,000	1994A	$35,000,000	-	
		2007A	30,315,450	$18,657,973	
		2015A	24,000,000	-	
Repurposing for Affordable Housing (Prop C - 11/8/2016)		2019A	72,420,000	72,420,000	$188,264,550
Clean & Safe Neighborhood Parks (Prop A - 2/5/08)	$185,000,000	2008B	42,520,000	-	
		2010B	24,785,000	-	
		2010D	35,645,000	35,645,000	
		2012B	73,355,000	45,285,000	
		2016A	8,695,000	7,195,000	--
San Francisco General Hospital and Trauma Center (Prop A - 11/4/08)	$887,400,000	2009A	131,650,000	-	
		2010A	120,890,000	-	
		2010C	173,805,000	173,805,000	
		2012D	251,100,000	147,770,000	
		2014A	209,955,000	154,035,000	--
Earthquake Safety and Emergency Response Bond (Prop B - 6/8/10)	$412,300,000	2010E	79,520,000	38,335,000	
		2012A	183,330,000	114,990,000	
		2012E	38,265,000	28,380,000	
		2013B	31,020,000	16,720,000	
		2014C	54,950,000	40,095,000	
		2016C	25,215,000	21,435,000	--
Road Repaving & Street Safety (Prop B - 11/8/11)	$248,000,000	2012C	74,295,000	46,360,000	
		2013C	129,560,000	69,785,000	
		2016E	44,145,000	37,515,000	--
Clean & Safe Neighborhood Parks (Prop B - 11/6/12)	$195,000,000	2013A	71,970,000	38,780,000	
		2016B	43,220,000	23,355,000	
		2018A	76,710,000	44,855,000	3,100,000
Earthquake Safety and Emergency Response Bond (Prop A - 6/3/14)	$400,000,000	2014D	100,670,000	73,435,000	
		2016D	109,595,000	72,305,000	
		2018C	189,735,000	137,570,000	--
Transportation and Road Improvement (Prop A - 11/4/14)	$500,000,000	2015B	67,005,000	41,870,000	
		2018B	174,445,000	102,010,000	258,550,000
Affordable Housing Bond (Prop A - 11/3/15)	$248,000,000	2016F	75,130,000	48,485,000	
		2018D	142,145,000	102,070,000	92,725,000
Public Health and Safety Bond (Prop A - 6/7/16)	$350,000,000	2017A	173,120,000	116,925,000	
		2018E	49,955,000	36,370,000	126,925,000
Seawall Improvement (Prop A - 11/6/2018)	$425,000,000	n/a	-	-	425,000,000
SUBTOTAL			$3,168,135,450	$1,906,457,973	$1,094,564,550
General Obligation Refunding Bonds:					
Series 2008-R1 issued 5/29/08			$232,075,000	$3,480,000	n/a
Series 2011-R1 issued 11/9/12			339,475,000	149,240,000	n/a
Series 2015-R1 issued 2/25/15			293,910,000	234,310,000	n/a
SUBTOTAL			$865,460,000	$387,030,000	
TOTALS			$4,033,595,450	$2,293,487,973	$1,094,564,550

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

General Fund Lease Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-29 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of August 1, 2019.

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TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2019[1]

Fiscal Year[2]	Principal	Interest[3]	Annual Payment Obligation
2019-20[4]	$48,515,000	$58,564,205	$107,079,205
2020-21	57,210,000	56,216,292	113,426,292
2021-22	57,625,000	53,620,057	111,245,057
2022-23	60,210,000	50,974,336	111,184,336
2023-24	62,415,000	48,204,761	110,619,761
2024-25	62,750,000	45,307,931	108,057,931
2025-26	63,220,000	42,438,259	105,658,259
2026-27	66,205,000	39,423,728	105,628,728
2027-28	61,035,000	36,331,460	97,366,460
2028-29	65,915,000	33,281,225	99,196,225
2029-30	66,590,000	30,079,252	96,669,252
2030-31	62,040,000	27,098,252	89,138,252
2031-32	51,690,000	24,356,080	76,046,080
2032-33	52,545,000	22,185,304	74,730,304
2033-34	54,795,000	19,783,998	74,578,998
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL[5]	**$1,297,555,000**	**$674,175,658**	**$1,971,730,658**

1 Excludes private placements.

2 For the Series 2018A (Refunding Open Space LRBs), reflects the 7/1 payments as paid in the prior fiscal year, as budgeted.

3 Totals reflect rounding to nearest dollar.

4 Excludes payments made to date in current fiscal year.

5 For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.50%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

Voter-Approved Lease Revenue Bonds

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

[In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002.]

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of August 1, 2019, the total authorized and unissued amount for such financings was $82.3 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of Proposition B lease revenue bonds, respectively, leaving $14.1 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In March 2000, voters approved Proposition C, which extended a two- and one-half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018the City issued refunding lease revenues bonds, which are currently outstanding in the principal amount of $31.9 million, to refund the outstanding Series 2006 and Series 2007 Open Space Fund lease revenue bonds.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two- and one-half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. In August 2018 the City issued refunding lease revenues bonds, which are currently outstanding in the principal amount of $12.2 million, to refund the outstanding Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-30 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

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TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of August 1, 2019

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION[1]			
Series 2009A (Multiple Capital Improvement)	2031	$163,335,000	$112,395,000
Series 2009B (Multiple Capital Improvement Projects)	2035	37,885,000	28,905,000
Series 2009C (525 Golden Gate Avenue - Tax Exempt)	2022	38,120,000	16,255,000
Series 2009D (525 Golden Gate Avenue - BABs)	2041	129,550,000	129,550,000
SFGH Emergency Backup Generators Project[2]	2025	22,549,489	12,612,156
Refunding Series 2010A	2033	138,445,000	95,880,000
Refunding Series 2011A (Moscone)	2024	86,480,000	13,825,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	34,050,000
Series 2013B/C (Port Facilities Project)	2038/2043	37,700,000	30,010,000
Refunding Series 2014-R1/2014-R2 (Courthouse & Juvenile Hall)	2021/2034	47,220,000	31,790,000
Series 2015A/B (War Memorial Veterans Building)	2045/2024	134,325,000	122,705,000
Refunding Series 2015-R1 (City Office Buildings)	2040	123,600,000	115,140,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	13,430,000
Citywide Emergency Radio Replacement Project (Gsmart)[2]	2026	34,184,136	26,154,039
Series 2017A (Hope San Francisco) Taxable	2047	28,320,000	27,020,000
Series 2017B (Moscone Convention Center Expansion)	2042	412,355,000	402,550,000
Subtotal Certificates of Participation			**$1,212,271,195**
LEASE REVENUE BONDS			
Series 2008-1 (Refunding Moscone Center Expansion Project)[3]	2030	$72,670,000	$36,300,000
Series 2008-2 (Refunding Moscone Center Expansion Project)[3]	2030	72,670,000	36,300,000
Series 2010-R1 (Emergency Communication Refunding)	2024	22,280,000	7,320,000
Series 2018A (Refunding LRB's Open Space Fund)	2029	34,950,000	31,955,000
Series 2018B (Refunding LRB's Library Preservation Fund)	2028	13,355,000	12,175,000
Subtotal Lease Revenue Bonds			**$124,050,000**
Total General Fund Obligations			**$1,336,321,195**

[1] Excludes Commercial Paper and the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of $78,000,000.
[2] Private placement
[3] Variable rate

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance these certificates.

Animal Care and Control Renovation Project: In November 2016, the Board authorized, and the Mayor approved the issuance of not to exceed $60.5 million of City and County of San Francisco Certificates of Participation to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in Fiscal Year 2020-21.

Housing Trust Fund Project: In April of 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in Winter/Spring 2020.

49 South Van Ness Project: In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed $321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in late 2019.

Commercial Paper Program

In March of 2009, the Board authorized and the Mayor approved a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). In July of 2013, the Board authorized, and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million. Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project.

The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of $75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of $75 million). These credit facilities expire in May of 2021.

The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company initially scheduled to expire in February of 2019. In December 2018, the City extended the original letter of credit issued by State Street Bank and Trust Company by three years, expiring in February of 2022.

As of August 1, 2019, the outstanding principal amount of CP Notes is $120.5 million. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include 49 South Van Ness, Animal Care and Control, and Housing Trust Fund. Other projects currently utilizing the CP Program are the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment and the Hall of Justice Relocation Project which is interim financing the costs of the land acquisition, including demolition and related site preparation costs. The weighted average interest rate for the outstanding CP Notes is approximately 1.51%.

Transbay Transit Center Interim Financing

In May of 2016, the Board authorized, and the Mayor approved the establishment of a not-to-exceed $260.0 million Lease Revenue Commercial Paper Certificates of Participation (the "Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center (now known as the Salesforce Transit Center). The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds (secured by special taxes) and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates originally consisted of $160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020, and $100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018.

As of August 1, 2019, the TJPA had a total of $78.0 million outstanding from the Wells Fargo financing facility, at a current interest rate of 2.79%.

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of August 1, 2019 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of August 1, 2019

2019-20 Assessed Valuation (includes unitary utility valuation):	$281,683,409,781 [1]
GENERAL OBLIGATION BONDED DEBT	
San Francisco City and County	$2,293,487,973
San Francisco Unified School District	898,785,000
San Francisco Community College District	215,130,000
TOTAL GENERAL OBLIGATION BONDS	$3,407,402,973
LEASE OBLIGATIONS BONDS	
San Francisco City and County	$1,401,709,039
LONG-TERM OBLIGATIONS	$1,401,709,039 [2]
TOTAL COMBINED DIRECT DEBT	$4,809,112,012
OVERLAPPING TAX AND ASSESSMENT DEBT	
Bay Area Rapid Transit District General Obligation Bond (34.153%)[2]	$266,555,627 [3]
San Francisco Community Facilities District No. 4	19,565,000
San Francisco Community Facilities District No. 6	123,466,726
San Francisco Community Facilities District No. 7	35,585,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,807,577
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	397,895,000
City of San Francisco Assessment District No. 95-1	470,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,795,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,225,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,965,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$864,329,930
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$800,377,447
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$6,473,819,389 [4]

Ratios to 2019-20 Assessed Valuation:	**Actual Ratio**
Direct General Obligation Bonded Debt ($3,407,402,973)	1.21% [5]
Combined Direct Debt ($4,809,112,012)	1.71%
Total Direct and Overlapping Bonded Debt	2.30%
Ratio to 2019-20 Redevelopment Incremental Valuation ($34,366,733,708)	
Total Overlapping Tax Increment Debt	2.33%

[1] Includes $610,103,200 homeowner's exemption for FY19-20.

[2] Includes the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of $78,000,000. Excludes privately placed SFGH Emergency Backup Generators Project, currently outstanding in the principal amount of $12,612,156.

[3] 2018-19 ratio. Bay Area Rapid Transit District's 2019-20 assessed valuation is not available at this time.

[4] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds

[5] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY19-20 AV is 0.81%.

Source: California Municipal Statistics Inc.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 404 acres on Treasure Island and 94 acres on adjoining Yerba Buena Island, plus approximately 540 acres of unfilled tidal and submerged lands adjacent to the Islands in San Francisco Bay. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; 140,000 sf of retail and entertainment venues; 311,000 sf of adaptive reuse of historic structures; and a world-class 300-acre parks and open space system including shoreline access and cultural uses such as a museum. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plan includes green building standard, best practices in low-impact development, and sea level rise adaptation strategies.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. This was followed by smaller transfers of additional parcels on Treasure Island in September 2016, August 2017, and September 2018, and a fifth transfer is expected in 2019. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016. Demolition in these areas is complete, and initial infrastructure and geotechnical improvements are underway. The first phase of development will include extensive horizontal infrastructure improvements (utilities, ferry facilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over 15 to 20 years.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point Area

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 4.4 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 439 completed units and 66 units currently under construction. An additional 174 units will begin construction in 2020. At Candlestick Point (Phase 2 of the Project), 337 housing units are now complete which includes a mix of public housing replacement and new affordable units. In 2016, horizontal infrastructure construction commenced in Candlestick Point to support additional residential and commercial development; designs for the former Candlestick Point Stadium site for a mixed-use residential, office, retail, hotel and film and arts center are currently underway.

Mission Bay South Project Area

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 4.15 million square feet of building space and a 550-bed hospital on 65 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; 3.5 million square feet of office and lab space; 6,514 housing units, with 1,914 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a 18,000 seat event center; a new 500-student public school; and a new fire and police station and police headquarters.

Mission Bay South Blocks 29-32 – Warriors Multi-purpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, developed a multi-purpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site has restaurants, retail, office space, bike valet, public plazas and a limited amount of parking.

Salesforce Transit Center (formerly known as the "Transbay Transit Center")

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors and includes additional funding sources for the Salesforce Transit Center. The Salesforce Transit Center replaces the former Transbay Terminal at First and Mission streets with a modern transit hub and includes a future extension of the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and opened in August 2018.

The Pelli Clarke Pelli Architects-designed transit center was designed to serve more than 100,000 people per day through 11 transportation systems, including future California High Speed Rail, which connect San Francisco to Los Angeles in less than 2-1/2 hours. The center embraces the goals of green architecture and sustainability. The heart of the Salesforce Transit Center is Salesforce Park, a 5.4-acre public park atop the facility that serves as a living "green roof" for the transit facility. The Salesforce Transit Center will have a LEED rating of at least Silver due to its sustainable design features and its related facilities, including Salesforce Park. Construction and operation of the Salesforce Transit Center is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency (OCII) among others.

OCII has land use jurisdiction over the 10 acres of property formerly owned by the State surrounding the Salesforce Transit Center, which is being redeveloped with plans for 3,300 new homes, of which 1,300 will be affordable below-market rate homes, over 2.4 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, five parcels are fully complete, and [five] parcels are in various stages of pre-development and development. Two of those parcels are currently under construction and will provide over 900 housing units within the next [six months]. The sale of various sites has generated more than $600 million in funding for construction of the Salesforce Transit Center.

In September 2018, construction crews discovered fissures in two steel beams in the ceiling of the third-level bus deck on the eastern side of the transit center near Fremont Street. After several inspections and out of an abundance of caution, the TJPA temporarily closed the transit center to repair the issue and conduct intensive inspections.

The agency reopened the transit center on July 1, 2019 after the TJPA repaired and reinforced the affected area, reinforced a similarly designed area of the transit center, conducted an eight-month exhaustive facility-wide review; and recommissioned the entire facility. This was all done with the oversight of an independent panel of experts requested by both Mayor Breed of San Francisco and Mayor Schaaf of Oakland who concluded that all necessary steps were taken to reopen the center to the public. The transit center is back to full transit operations and use of its rooftop park has been steadily increasing.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres of land and pier structures. The Port's development partner on the project is a partnership between the San Francisco Giants and Tishman Speyer (called Mission Rock Partners). The approved development for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of the San Francisco Giants' Ballpark as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the project site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. In April 2018, State Lands Commission made determinations required under California statutes to allow the Mission Rock development to move forward. Phase 1 infrastructure is planned to break ground in late 2019 and the four, phase 1 buildings (two primarily apartment buildings and two primarily office buildings) are planned for construction concurrent with the Phase 1 infrastructure. Full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial new development, new parks, and adaptive reuse of historic structures, on this 69-acre site. Goals of the plans are to preserve and reuse historic structures; retain ship repair operations; provide new open space; and reactivate the site. Achieving these goals requires site remediation and substantial new infrastructure. Some of the planning objectives have already been achieved – including the complete rehabilitation of 7 very significant historic buildings (through a Master Lease with Orton Development, Inc.) and site preparation of the new Crane Cove Park. Rehabilitation of a final historic building in the Orton lease is well underway and will be complete in mid-2020. Construction of Crane Cove Park, a new segment of 19th street, and a new 19th street surface parking lot are all underway and anticipated to be opened in phases between mid-2020 and early 2021.

Located on the largest undeveloped portion of the site, the Port, OEWD, and Brookfield Properties (formerly, Forest City), completed all project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018. The Special Use District for the neighborhood includes 9 acres of new parks, 1,600 to 3,000 residential units with 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, and 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Brookfield team completed site preparations in 2018 and began Phase 1 infrastructure construction in early 2019. The first buildings at the site are planned to be completed as early as 2021.

Moscone Convention Center Expansion Project

The Moscone Center Expansion Project added approximately 300,000 square feet and re-purposed an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space was created by excavating and expanding the existing below- grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and re-purposed building support area.

The project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued $412.0 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project achieved substantial completion on December 31, 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIIIA of the California Constitution

Article XIIIA of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIIIA) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

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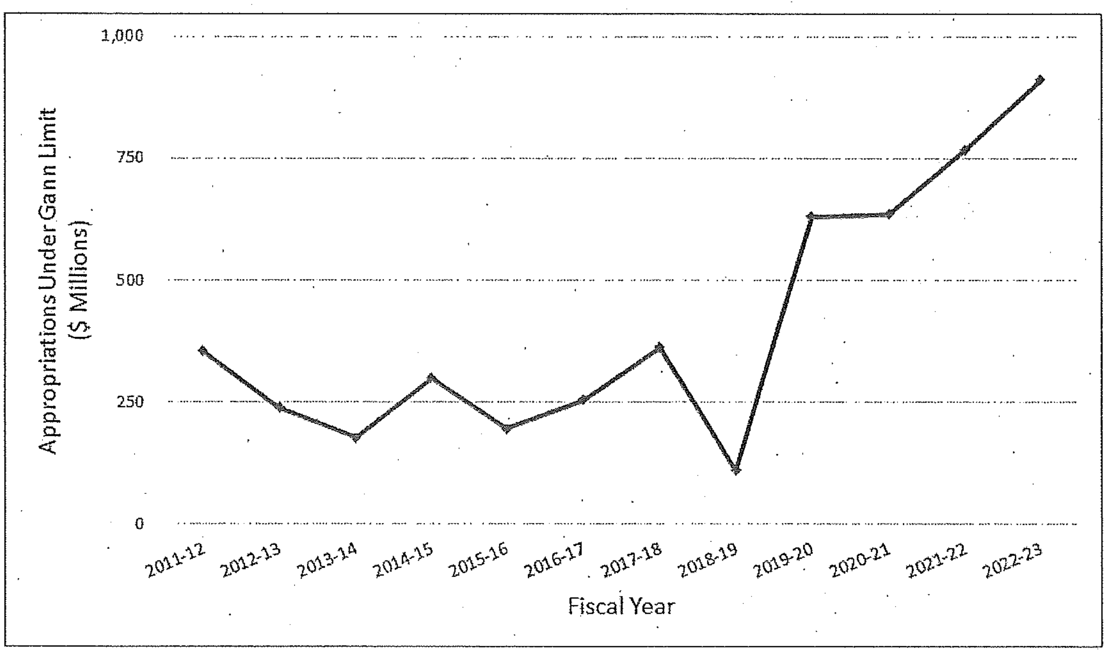
Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII.

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIIIB includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years. See the graph below for appropriations available under the Gann Limit.



Articles XIIIC and XIIID of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIIID to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt.

However, Proposition 218 affects the City's finances in other ways. Article XIIIC requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIIIC addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIIIC, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness, and which could be reduced by initiative under Article XIIIC. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

[On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the *"Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of

Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles,* 14 Cal. App. 4^{th} 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4^{th} 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.]

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statue governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

DRAFT

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2018. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS – Salesforce Transit Center (formerly known as the "Transbay Transit Center")."

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Salesforce Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. The City is a defendant in four of these lawsuits.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in two lawsuits filed by owners of multiple units, the Ying Lawsuit (Case No. 17-559210) and the Turgeon Lawsuit (Case No. 18-564417). The Montana, Ying and Turgeon Lawsuits contain similar claims as the Lehman Lawsuit. The parties have been participating in confidential mediation, and recently reached an agreement-in-principle as to the amounts to be paid and received pursuant to a global resolution of the litigation. The agreement is contingent on the negotiation, execution and approval of one or more documented global settlement agreements, as well as resolution of certain other contingencies. Discovery is stayed while the parties document the settlement, and the terms of the agreement-in-principle, including any contribution from the City or TJPA, remain subject to the mediation privilege. In the event that the settlement-in principle is not finalized, the City cannot make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the PUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims, and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR.

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Certification by Controller Regarding Official Statements

Board of Supervisors:

I have reviewed the Preliminary Official Statement for the CCSF Certificates of Participation (COPs) Series 2019 (49 South Van Ness) prepared as of the date hereof ("POS") scheduled for Board of Supervisors introduction on September 3, 2019 and compared the information contained in the POS with the City's Financial Statements. Subject to Board approval of the proposed execution and delivery of the COPs, I will update and finalize the POS, and review the POS to identify any misstatement or omissions in consultation with the City Attorney and Disclosure Counsel (as necessary), and prior to the distribution of the POS to the investing market I will certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;

2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and

3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

The final certification will be in the transcript of proceedings relating to the COPs.

Controller

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of Public Finance
Jamie Querubin, Public Finance Deputy JPQ

DATE: Friday, August 30, 2019

SUBJECT: Resolution Approving the Form of and Authorizing the Distribution of a Preliminary Official Statement Relating to the Execution and Delivery of City and County of San Francisco Certificates of Participation for the 49 South Van Ness Project

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Recommended Action

We respectfully request that the Board of Supervisors consider for review and approval the resolution ("Resolution") authorizing the distribution of a preliminary official statement relating to the execution and delivery of City and County of San Francisco Certificates of Participation for the 49 South Van Ness Project ("COPs"), authorizing the preparation, execution and delivery of a final official statement, and ratifying the approvals and terms and conditions of a previous ordinance, and related matters.

As further discussed below, the Board of Supervisors previously approved the execution and delivery of the COPs to finance the 49 South Van Ness Project, previously called the 1500 Mission Project, per Ordinance No. 119-17. This recommended action is to further facilitate the execution and delivery of the previously authorized COPs.

Background

The Project

The 49 South Van Ness Project (formerly known as 1500 Mission Street, the "Project"), located at the intersection of Van Ness Avenue and Mission Street, will be an office building consisting of 16 stories including approximately 431,000 rentable square feet of office space, to be occupied by approximately 1,800 City employees. The Project will include administrative office workspace, including training and conference rooms as well as a childcare facility. As part of the Project, the City's goal is to establish a "One-Stop Permit Center," bringing together City permitting agencies to a single location.

The Project was designed and developed through collaboration between the City's Real Estate Division and Goodwill SF Urban Development, LLC, the Project developer (the "Developer"). In July 2017, the City and the Developer executed a Construction Management Agreement (the "Construction Management Agreement"), pursuant to which the Developer agreed to enter into, manage, monitor and oversee all contracts (including contracts with the architect and general contractor) required to complete the Project. Skidmore, Owings & Merrill LLP is the architect for the Project, and the general contractor for the Project is Charles Pankow Builders, Ltd. In addition to the city-owned office building, the Project shares a 2.5-acre site with a neighboring 39-story, mixed-income, mixed-use development consisting of an approximate 550-unit residential tower developed by Related California.

The total Project budget, including acquisition, construction, furniture, fixtures, and equipment ("FF&E"), technology ("DT"), and moving costs, is approximately $360 million, financed by land sale proceeds, COPs, and various general fund sources, as discussed further below. Construction on the Project commenced in the fall of 2017 and is scheduled to reach substantial completion in the summer of 2020.

Prior Board of Supervisors Actions

In December 2014, per Ordinance No. 254-14, the Board approved a Conditional Land Disposition and Acquisition Agreement with Related California Urban Housing, LLC ("Related") to develop a city-owned office building located at 1500 Mission Street, subject to environmental review and approval.

In March 2017, per Resolution No. 94-17 and Resolution No. 95-17, the Board approved the sale of three city-owned buildings located at 1660 Mission Street, 1680 Mission Street, and 30 Van Ness Avenue for a total combined sale price of $122 million. Upon the closing the sale of these three properties in May 2017, the City dedicated the proceeds from the sales to prepay the City's remaining lease payments attributable to the 30 Van Ness property, as a precondition to closing the sale of that property. The remaining $97 million in net sales proceeds went to directly fund a portion of the development costs for the Project.

In June 2017, per Ordinance No. 119-17 (the "2017 Ordinance"), the Board approved the execution and delivery of COPs in principal amount not to exceed $321,765,000 to finance a portion of the development costs, including construction and improvement, and related FF&E, DT, and moving costs for the Project and authorized the issuance of commercial paper notes in advance of the delivery of the COPs.

In June 2019, as a follow-up action to the 2017 Ordinance, the Budget and Finance Committee acted to release reserve funds to the Office of the City Administrator, placed on the Budget and Finance Committee reserve by Ordinance No. 118-17, in the amount of $26.2 million to fund FF&E, DT, and moving costs for the Project.

The Official Statement

The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of its COPs. The Official Statement describes the COPs including sources and uses of funds; security for the COPs; the Project and leased property; 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 COPs.

A Preliminary Official Statement is distributed to prospective bidders prior to the sale of the COPs and within seven days of the public offering of the COPs, 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 COPs.

The 2017 Ordinance also approved the form of a Preliminary Official Statement, approved the form and execution of the Official Statement relating to the sale of the COPs, approved the form of the Continuing Disclosure Certificate and granted general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the COPs and approved modifications to documents and agreements.

The Preliminary Official Statement relating to the COPs has been updated as of August 22, 2019 and reflects significant changes in the City's budget and finances that have occurred since the 2017 Ordinance. The Preliminary Official Statement includes the City's Adopted Budget for Fiscal Years 2019-20 and 2020-21 and the Comprehensive Annual Financial Report for Fiscal Year 2017-2018. Updated information regarding the Project and the status of the development was provided by City Staff for inclusion in the Preliminary Official Statement. Additionally, the information contained in the Appendix A was prepared by City staff for inclusion in the Preliminary Official Statement. The revisions to Appendix A reflect the most recent updates to date as of August 1, 2019, compared to the version most recently reviewed by the Board dated as of January 15, 2019. In accordance with rule 15c2-12 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 "deemed final" as of their dates. In accordance with the City's disclosure policies, the Controller has certified that he has reviewed the form of POS and compared such document with the City's financial statements. The Controller will also certify that such document does not contain any material misstatement or omissions prior to it being distributed to the investing marketplace. A form of the Preliminary Official Statement is attached for your approval prior to its publication.

The Office of Public Finance proposes the execution and delivery of the COPs under the authority of the 2017 Ordinance and seeks approval of this Resolution by The Board of Supervisors and the Mayor, to approve and authorize the use and distribution of the Preliminary Official Statement by the co-financial advisors with respect to the COPs.

The Certificates and Current Plan of Finance

The 2017 Ordinance authorized the execution and delivery of tax-exempt or taxable (if necessary) COPs in a par amount not-to-exceed $321,765,000. Based on Project cost estimates, tax analysis and schedule, the Office of Public Finance anticipates selling $284,760,000 in tax-exempt COPs under market assumptions prevailing at the expected time of sale. The difference between the expected issuance amount and the $321,765,000 not-to-exceed amount provides flexibility for market fluctuations until the sale of the COPs, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses.

Commercial Paper. From June 2017 through August 2019, the Project incurred expenditures totaling approximately $70.7 million using the City's commercial paper program. The Project anticipates issuing up to approximately $63 million in additional commercial paper notes to fund Project expenditures prior to the delivery of the COPs. The commercial paper notes outstanding for the Project will be refinanced with the delivery of the COPs.

Based upon an estimated 3.20% all-in true interest cost and the anticipated total par value of $284,760,000, the total principal and interest payments over the approximate 30-year term of the COPs are estimated to be approximately $455,500,000. The variance between the anticipated par value and the and the 2017 Ordinance not-to-exceed amount is primarily due to the anticipated reduction in total Project Fund, lower actual interest and borrowing costs for commercial paper, and lower interest rate assumptions for the COPs. The reduction in Development Costs (Net) is a result of $3.1 million in higher than anticipated net land sales proceeds to finance the Project due to available debt reserve funds to repay existing debt service on the 30 Van Ness Property.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see Attachment 1. The information set forth in Attachment 1 is based on estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.

Additional Information

The related forms of Official Statement, including the Appendix A, will also be submitted.

Appendix A: 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 certificates, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

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 COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

	Date*
Introduction of resolution to the Board of Supervisors	September 3, 2019
Approval of resolution by the Board of Supervisors	September 18, 2019
Delivery and Execution of the COPs	Estimated October 2020

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 or Jamie Querubin at 415-554-6902 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Kelly Kirkpatrick, Mayor's Budget Director
Ben Rosenfield, Controller
Naomi Kelly, City Administrator
Ken Bukowski, Deputy City Administrator
Harvey Rose, Budget Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Mohammed Nuru, Director of San Francisco Public Works
Samuel Chiu, Project Manager, San Francisco Public Works
Melissa Whitehouse, Project Manager, Office of the City Administrator

ATTACHMENT 1

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Co-Municipal Advisors, KNN Public Finance and Ross Financial:

1. True interest cost of the COPs: <u>3.178%</u>

2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): <u>$2,512,164</u>.

3. Amount of COP proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the COPs: <u>$258,778,440</u>.

4. Total payment amount for the COPs, being the sum of (a) debt service on the COPs to final maturity, and (b) any financing costs not paid from proceeds of the COPs: <u>$455,498,005</u>.

The information set forth above is based up estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.

OFFICE OF THE MAYOR
SAN FRANCISCO

LONDON N. BREED
MAYOR

SK

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Certificates of Participation – 49 South Van Ness Project – Official Statement
DATE: Tuesday, September 3, 2019

Resolution approving the form of and authorizing the distribution of a preliminary official statement relating to the execution and delivery of City and County of San Francisco Certificates of Participation for the 49 South Van Ness Project and authorizing the preparation, execution and delivery of a final official statement; ratifying the approvals and terms and conditions of a previous ordinance, and related matters.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.