

File No. 210183

Committee Item No. 6

Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 17, 2021

Board of Supervisors Meeting

Date March 23, 2021

Cmte Board

- | | | |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
| <input type="checkbox"/> | <input type="checkbox"/> | Public Correspondence |

OTHER (Use back side if additional space is needed)

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Preliminary Official Statement</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Office of the Controller's Presentation - March 17, 2021</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |

Completed by: Linda Wong Date March 13, 2021

Completed by: Linda Wong Date March 19, 2021

1 [Issuance and Sale of General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-
2 R2 - Not to Exceed \$220,000,000]

3 **Resolution approving the issuance and sale of not to exceed \$220,000,000 aggregate**
4 **principal amount of City and County of San Francisco General Obligation Refunding**
5 **Bonds, Series 2021-R1, and City and County of San Francisco General Obligation**
6 **Refunding Bonds, Series 2021-R2, to refund certain outstanding General Obligation**
7 **Bonds of the City; approving the form and authorizing the distribution of the**
8 **Preliminary Official Statement and authorizing execution, delivery and distribution of**
9 **the Official Statement relating to the sale of said bonds; ratifying certain actions**
10 **previously taken, as defined herein; and granting general authority to City officials to**
11 **take necessary actions in connection with the authorization, issuance, sale, and**
12 **delivery of said bonds, as defined herein.**

13
14 WHEREAS, The Board of Supervisors (“Board”) of the City and County of San
15 Francisco (“City”), by Resolution No. 97-20 (the “Authorizing Resolution”), adopted on March
16 3, 2020, authorized the issuance, from time to time and in one or more series, of the City’s
17 General Obligation Refunding Bonds in an aggregate principal amount not to exceed
18 \$1,482,995,000 (the “Bonds”) to refund certain general obligation bonds of the City listed in
19 Exhibit A attached to the Authorizing Resolution (the “Prior Bonds”) in order to reduce the
20 amount of debt service payments on the Prior Bonds by refunding and setting aside funds to
21 retire all or a portion of the outstanding Prior Bonds and to pay the costs of issuance of such
22 Bonds; and

23 WHEREAS, To date, the City has issued an initial series of Bonds in an aggregate
24 principal amount of \$195,250,000 designated as “City and County of San Francisco General
25 Obligation Refunding Bonds, Series 2020-R1” to refund certain of the Prior Bonds, leaving

1 \$1,287,745,000 of authorized but unissued bonding authority under the Authorizing
2 Resolution; and

3 WHEREAS, The Board desires to confirm its actions in the Authorizing Resolution
4 authorizing the issuance and sale of Bonds, and approve the issuance and sale of two
5 additional series of Bonds in an aggregate principal amount not to exceed \$220,000,000 (the
6 “2021-R1 Bonds” and “2021-R2 Bonds,” respectively) pursuant to this Resolution of the Board
7 (“Resolution”), the Authorizing Resolution, the laws of the State of California including Title 5,
8 Division 2, Part 1, Chapter 3, Articles 9 and 11 of the California Government Code, the
9 Charter, the Administrative Code of the City (“Administrative Code”) and any ordinance now
10 or hereinafter in effect; and

11 WHEREAS, In accordance with Government Code, Section 5852.1, the Board has
12 obtained and disclosed the information required thereby, as more fully set forth in the staff
13 report prepared by the Controller's Office of Public Finance (“Staff Report”); now, therefore, be
14 it

15 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
16 follows:

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

18 Section 2. Conditions Precedent. All conditions, things and acts required by law to
19 exist, to happen and to be performed precedent to and in connection with the adoption of this
20 Resolution and the issuance and sale of the Series 2021-R1 Bonds and the Series 2021-R2
21 Bonds exist, have happened and have been performed in due time, form and manner in
22 accordance with applicable law, and the City is now authorized pursuant to the Authorizing
23 Resolution, the Charter and applicable law to incur indebtedness in the manner and form
24 provided in this Resolution.

25 ///

1 Section 3. Documents. The documents presented to the Board of Supervisors and on
2 file with the Clerk of the Board of Supervisors or designee thereof (the “Clerk of the Board of
3 Supervisors”) are contained in File No. 210183.

4 Section 4. Approval of Issuance and Sale of Series 2021-R1 Bonds and Series 2021-
5 R2 Bonds. The Board of Supervisors confirms its actions in the Authorizing Resolution
6 authorizing the issuance, from time to time and in one or more series (each a “Series”) of
7 Bonds in an aggregate amount not to exceed \$1,482,995,000, and approves the issuance
8 and sale of two additional Series of Bonds which shall be issued in an aggregate principal
9 amount not to exceed \$220,000,000 and designated as “City and County of San Francisco
10 General Obligation Refunding Bonds, Series 2021-R1” and “City and County of San Francisco
11 General Obligation Refunding Bonds, Series 2021-R2” to refund certain of the Prior Bonds as
12 shall be determined by the Director of Public Finance in accordance with the Authorizing
13 Resolution. Prior to issuance, each of the Series 2021-R1 Bonds and the Series 2021-R2
14 Bonds may be subdivided into more than one series. For purposes of this Resolution, all of
15 such subdivided series in the aggregate are referred to herein as the “Series 2021 Bonds.”
16 The Series 2021 Bonds shall be issued in accordance with the provisions of the Authorizing
17 Resolution.

18 Section 5. Amendments to Authorizing Resolution. For the purpose of correcting
19 scrivener’s errors in the Authorizing Resolution, the Board of Supervisors hereby amends the
20 definitions of “Defeasance Obligations” and “United States Obligations” in Section 13 of the
21 Authorizing Resolution by replacing each instance of “Prior Bonds” appearing therein with
22 “applicable Series of Bonds.” Except as amended pursuant to this Section 5, the Authorizing
23 Resolution remains in full force and effect.

24 Section 6. Approval of Official Statement. The form of the proposed Preliminary
25 Official Statement describing the Series 2021 Bonds including all appendices (“Preliminary

1 Official Statement”), in substantially the form presented to this Board, copies of which are on
2 file with the Clerk of the Board and by this reference incorporated herein, is hereby approved
3 and adopted as the Preliminary Official Statement for the Series 2021 Bonds, with such
4 additions, corrections and revisions as may be determined by the Controller to be necessary
5 or desirable. The Controller or the Director of Public Finance is hereby authorized to deem
6 final the Preliminary Official Statement for purposes of Securities and Exchange Commission
7 Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule”),
8 and to sign a certificate to that effect. The Director of Public Finance is hereby authorized and
9 directed to cause to be printed and mailed or electronically distributed to prospective bidders
10 for the Series 2021 Bonds copies of one or more Preliminary Official Statements deemed final
11 by the Controller. The Controller is authorized and directed to approve, execute, and deliver
12 the final Official Statement with respect to the Series 2021 Bonds, which final Official
13 Statement shall be in the form of the deemed final Preliminary Official Statement, with such
14 additions, corrections and revisions as may be determined to be necessary or desirable made
15 in accordance with Section 24 of the Authorizing Resolution and as are permitted under the
16 Rule. The Director of Public Finance is hereby authorized and directed to cause to be printed
17 and mailed or electronically distributed copies of the final Official Statement to all actual initial
18 purchasers of the Series 2021 Bonds. The Controller or Director of Public Finance is also
19 hereby authorized and directed to authorize, approve, and cause to be published any
20 supplements or amendments that may be deemed necessary in consultation with disclosure
21 counsel to the City and the underwriter(s) of the Series 2021 Bonds, if any.

22 Section 7. Ratification. All actions heretofore taken by officials, employees and agents
23 of the City with respect to the issuance and sale of the Series 2021 Bonds are hereby
24 approved, confirmed and ratified.

25 ///

1 Section 8. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
2 City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each
3 hereby authorized and directed in the name and on behalf of the City to take any and all steps
4 and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices,
5 consents, and other documents as may be necessary to give effect to the provisions of this
6 Resolution, including but not limited to letters of representations to any depository or
7 depositories, which they or any of them might deem necessary or appropriate in order to
8 consummate the lawful issuance, sale and delivery of the Series 2021 Bonds and the
9 refunding of Prior Bonds from proceeds thereof. Any such actions are solely intended to
10 further the purposes of the Authorizing Resolution, this Resolution, and are subject in all
11 respects to the terms the Authorizing Resolution and this Resolution. No such actions shall
12 increase the risk to the City or require the City to spend any resources not otherwise granted
13 in the Authorizing Resolution. Final versions of any such documents shall be provided to the
14 Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon
15 thereafter as final documents are available) of execution by all parties.

16
17 APPROVED AS TO FORM:

18 DENNIS J. HERRERA
19 City Attorney

20
21 By: /s/ Kenneth D. Roux
22 Kenneth D. Roux
23 Deputy City Attorney

24
25
n:\financlas2021\2100112\01511075.docx

Items 5 & 6 Files 21-0028 & 21-0183	Department: Controller's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 21-0028 is an ordinance appropriating \$220,000,000 of the refunding bond series to be sold in 2021. • File 21-0183 is a resolution approving the sale of refunding bonds, designated as Series 2021-R1 and Series 2021-R2, in an amount not to exceed \$220 million, to refund all or a portion of prior bonds. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In March 2020, the Board approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000 (File 20-0088), which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval. The Office of Public Finance has identified \$239.6 million in outstanding general obligation bonds, of which \$206.2 million can be paid before the bonds reach their stated maturity date. This includes general obligation bonds issued in 2013 and prior refunding bonds issued in 2011. • The Office of Public Finance plans to issue refunding bonds in two series, Series 2021 R1 and Series 2021 R2, in an amount not to exceed \$220 million. The first series, 2021-R1, would refund general obligation bonds issued in 2013 that can be refinanced beginning June 15, 2021, and the second series, 2021-R2, would refund the prior refunding bonds issued in 2011 that can be refinanced beginning December 15, 2021. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Based on bond market conditions as of February 2021, the City could issue Series 2021-R1 and 2021-R2 tax-exempt refunding bonds in the Spring of 2021 in order to realize savings. The 2021 refunding bonds will be sold at an interest rate of 1.86 percent and result in an estimated \$25.2 million in total debt service savings. • The combined cost of issuance and underwriters discount of the 2021 Refunding Bonds is estimated at \$1.1 million which is less than 1 percent of the principal amount, below the maximum allowed. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds. • The Office of Public Finance will monitor market conditions to determine whether it is beneficial to issue Series R2 as forward to delivery bonds, essentially locking in refunding savings in the current market, at a time where interest rates are low. • The debt ratio is estimated to slightly decrease after the proposed issuance of the 2021 Refunding Bonds. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution and ordinance. 	

MANDATE STATEMENT

City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The City's Debt Policy

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City's Debt Policy as recommended by the Controller's Office of Public Finance in February 2020 (File 20-0089).

In March 2020, the Board approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000 (File 20-0088), which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval.

In March 2020, the Board approved "Series 2020-R1", the first series of refunding bonds in an amount not to exceed \$255,000,000 (File 20-0088).

DETAILS OF PROPOSED LEGISLATION

The Board of Supervisors is being asked to approve the following resolution and ordinance:

File 21-0183: The proposed resolution approves the sale of refunding bonds, designated as Series 2021-R1 and Series 2021-R2, in an amount not to exceed \$220 million, to refund all or a portion of prior bonds. The first series, 2021-R1, would refund prior bonds that can be refinanced beginning June 15, 2021, and the second series, 2021-R2, would refund the prior bonds that can be refinanced beginning December 15, 2021. The resolution authorizes the Controller or the Director of Public Finance to finalize and distribute the official Preliminary Statement for the sale of the Series 2021 Bonds and for City officials to take other actions necessary to finalize the agreements for the bond transactions.

The legislation also amends Section 13 of the 2020 resolution authorizing the issuance of refunding bonds (File 20-0088) in order to correct for a definition error, replacing the term "Prior Bonds" with "applicable Series of Bonds".

File 21-0028: The proposed ordinance appropriates \$220,000,000 of the refunding bond series to be sold in 2021.

FISCAL IMPACT

The Office of Public Finance has identified \$239.6 million in outstanding general obligation bonds of which \$206.2 million can be paid before the bonds reach their stated maturity date, as shown in Exhibit 1 below.

Exhibit 1: Series 2021-R1 & Series 2021-R2 General Obligation Bond Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Callable Par Amount^a
<i>Series 2021-R1</i>			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$36,785,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	31,020,000	15,860,000	14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	129,560,000	66,195,000	62,425,000
<i>Series 2021-R2</i>			
Refunding Series 2011-R1	339,475,000	120,760,000	94,125,000
Total	\$572,025,000	\$239,600,000	\$206,195,000

Source: Office of the Controller Memo to Board of Supervisors, February 22, 2021

^a "Callable" amount is the amount of outstanding bonds that can be paid prior to their maturity date.

The Office of Public Finance plans to issue refunding bonds in two series, Series 2021 R1 and Series 2021 R2, in an amount not to exceed \$220 million.

File 21-0028 is an ordinance that would appropriate up to \$220 million in bond proceeds, shown in Exhibit 2 below. According to the Office of Public Finance, the requested not-to-exceed par amount of \$220,000,000 exceeds the current estimated refunding bond proceeds amount of \$212,084,563, in order to provide flexibility in case of fluctuations in market interest rates between the date of Board authorization and bonds sale, changes in the refunding escrow or changes in estimated delivery date expenses.

Exhibit 2: Estimated Source & Uses of 2021 Refunding Bonds

	Appropriation (File 21-0028)	Estimated Actuals Series 2021-R1	Estimated Actuals Series 2021-R2	Total
Sources				
<i>Refunding Bond Proceeds</i>				
Par Amount		95,850,000	87,810,000	183,660,000
Premium		19,326,284	9,098,279	28,424,563
Total Sources	\$220,000,000	\$115,176,284	\$96,908,279	\$212,084,563
Uses				
Refunding Escrow	217,916,150	\$114,594,953	\$96,376,085	\$210,971,038
<i>Delivery Date Expenses</i>				
Cost of Issuance	1,203,850	\$407,854	373,268	781,122
Underwriter's Discount	880,000	\$173,477	158,926	332,403
<i>Subtotal Delivery Date Expenses</i>	<i>\$2,083,850</i>	<i>\$581,331</i>	<i>532,194</i>	<i>1,113,525</i>
Total Uses	\$220,000,000	\$115,176,284	\$96,908,279	\$212,084,563
Reserve for Market Uncertainty				7,915,437
Not-to-Exceed Par Amount	\$220,000,000			\$220,000,000

Source: Office of Public Finance, Montague DeRose and Associates, LLC

Debt Service Savings

According to the Office of Public Finance, based on bond market conditions as of February 2021, the City could issue Series 2021-R1 and 2021-R2 tax-exempt refunding bonds in the Spring of 2021 in order to realize savings¹. Based on current market conditions, the Office of Public Finance estimates that the 2021 refunding bonds will be sold at an interest rate of 1.86 percent and result in \$25.2 million in total debt service savings.

The proposed resolution requires refunding bonds to achieve 3 percent present value savings of the par value of the refunded bonds, in accordance with the City's debt policy. The net present value of the debt service savings of the proposed refunding bonds is estimated to be \$23.0 million, equal to 11.17 percent of the par value of the refunded bonds, well above the 3 percent minimum present value savings threshold.

Debt Issuance Costs

The resolution previously approved by the Board of Supervisors authorizing issuance of up to \$1.5 billion in refunding bonds requires the costs of issuance to not exceed 2 percent, and for a negotiated sale, the underwriter's discount to not exceed 1 percent of the principal amount of the refunding bonds. The combined cost of issuance and underwriters discount of the 2021

¹ According to the Office of Public Finance memorandum to the Board of Supervisors, although Series 2021-R2 will refund \$94.1 million in bonds not callable until December 2021, the City can issue Series 2021-R2 as forward delivery bonds, for which investors agree to negotiated interest rates at a specified date in the future.

Refunding Bonds is estimated at \$1.1 million which is less than 1 percent of the principal amount, below the maximum allowed. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because of the series to be refunded includes multiple separate series with different initial origination dates, and multiple interest rates payable over time on each of the refunded series.

The Office of Public Finance will monitor market conditions to determine whether it is beneficial to issue Series R2 as forward to delivery bonds, essentially locking in refunding savings in the current market, at a time where interest rates are low. With forward delivery, both Series R1 and R2 would be priced at the same time, expected in April 2021, but Series R2 would not be issued until a future date, expected in September 2021.

Debt Limit

The City Charter imposes a limit on general obligation bond debt of 3 percent of the assessed value of property in the City. As of February 1, 2021, the City has approximately \$2.5 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.83 percent of the net assessed value in FY 2020-21. According to the Office of Public Finance, the debt ratio is estimated to slightly decrease after the proposed issuance of the 2021 Refunding Bonds.

RECOMMENDATION

Approve the proposed resolution and ordinance.



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 the Controller's Office of Public Finance
Luke Brewer, Controller's Office of Public Finance 

DATE: Monday, February 22, 2021

SUBJECT: Resolution approving the issuance of General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-R2 – Not-to-Exceed \$220,000,000

Supplemental Appropriation Ordinance for General Obligation Refunding Bonds

Recommended Actions

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolution (the "2021 Refunding Resolution") which (1) approves the issuance and sale of not to exceed \$220,000,000 aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-R2 (together the "2021 Refunding Bonds") to refund certain outstanding general obligation bonds of the City; (2) approves the form and authorizes the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement relating to the sale of said bonds; (3) ratifies certain actions previously taken; and (4) grants general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein.

Background

Since 1992, a two-thirds majority of voters of the City and County of San Francisco (the "City") have approved 28 propositions authorizing the issuance of general obligation bonds ("GO Bonds") totaling \$7.2 billion for various projects. Of this amount, \$4.9 billion of bonds have been issued and \$2.5 billion remain outstanding. \$2.3 billion are authorized but are yet to be issued. When the City issues GO Bonds, there are provisions included which give the City the option to refinance the bonds after a certain period of time, should interest rates be more favorable and produce savings to the City.

See [Attachment 1](#) for a full list of GO Bond authorizations and series outstanding as of February 1, 2021.

Prior Board of Supervisors Actions

The Board adopted Resolution No. 097-20 in March 2020 (the “2020 Master Refunding Resolution”). The 2020 Master Refunding Resolution authorized the issuance of \$1,482,995,000 aggregate principal amount of general obligation refunding bonds from time to time in one or more series for the purpose of refunding the City’s outstanding GO Bonds and approved the sale of the first series of such refunding bonds in an amount not to exceed \$255,000,000 designated Series 2020-R1.

Prior City Actions

On April 30, 2020, the City issued \$195,250,000 of General Obligation Refunding Bonds, Series 2020-R1 to refinance outstanding general obligation bonds resulting in gross debt service savings of \$38 million over 15 years and net present value debt service savings of \$31.2 million or 13.4% of refunded par.

Current Plan of Finance

The 2020 Master Refunding Resolution authorized and directed the Director of the Office of Public Finance (“OPF”) to determine which series of outstanding Prior GO Bonds would be refinanced with the proceeds of refunding bonds and to provide for the sale of any series of refunding bonds using the approved form of such documents, subject to certain terms and conditions including the following:

- (i) each series of refunding bonds must achieve aggregate net present value savings of at least 3% of outstanding principal of the total Prior Bonds to be refunded by such series;
- (ii) the true interest cost of the refunding bonds must not exceed 12%;
- (iii) the refunding bonds must not have a final maturity date later than the maturity date of the bonds to be refunded; and
- (iv) the costs of issuance must not exceed 2% and underwriter’s discount must not exceed 1% of the principal amount of the refunding bonds

The 2021 Refunding Resolution approves the sale of the 2021 Refunding Bonds, designated Series 2021-R1 and Series 2021-R2, in an amount not to exceed \$220 million, to refund all or a portion of the bonds listed in Table 1 below (“Prior Bonds”).

Table 1: 2021 General Obligation Refunding Candidates

2021 General Obligation Bond Refunding Candidates	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
<i>Refunding Candidates callable June 15, 2021</i>				
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$36,785,000	\$34,690,000	2033
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$15,860,000	\$14,955,000	2033
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$66,195,000	\$62,425,000	2033
Subtotal Refunding Candidates callable June 15, 2021	\$232,550,000	\$118,840,000	\$112,070,000	
<i>Refunding Candidates callable December 15, 2021</i>				
Refunding Series 2011-R1	\$339,475,000	\$120,760,000	\$94,125,000	2030
Total 2021 GO Refunding Candidates	\$572,025,000	\$239,600,000	\$206,195,000	

The Prior Bonds will be refunded by two series of refunding bonds. Series 2021-R1 will refund the Prior Bonds that can be refinanced beginning June 15, 2021, and Series 2021-R2 will refund the Prior Bonds that can be refinanced beginning December 15, 2021. Because of the staggered refinancing dates, separating the 2021 Refunding Bonds into two series will preserve the tax-exempt status of all 2021 Refunding Bonds. Based on IRS federal tax laws, the City cannot close the refunding bond transactions any earlier than 90 days prior to June 15, 2021 and December 15, 2021, respectively, without triggering a taxable issuance. This means that the Series 2021-R2 refunding bonds cannot close until September 16, 2021, while Series 2021-R1 could close as early as March 17, 2021.

However, the City has the option to price both series at the same time this spring by issuing Series 2021-R2 as forward delivery bonds. This means that when the bonds are priced, investors agree to purchase the bonds at the negotiated interest rates at a specified date in the future. Forward delivery bonds are typically only issued by highly rated issuers such as the City and are initially purchased by large institutional investors due to the interest rate risk exposure. The negotiated interest rates on the forward delivery bonds are current market rates + an interest rate risk premium per month until closing. For example:

If the City prices its Series 2021-R2 Refunding Bonds on April 15, 2021 and closes the transaction on September 16, 2021, this would be a 5-month forward delivery. Based on a survey done of underwriting firms as of February 2021, the estimated forward delivery premium, or additional cost, per month for the City would be 4 basis points (0.04%). Therefore, for a 5-month forward delivery, the City’s total premium, or additional interest rate cost, would be 20 basis points (0.20%) over current market rates. Put another way, if the current market rate for a City bond maturing in 10-years is 1.80%, then investors purchasing this forward delivery bond would expect to receive an interest rate of 2.00%.

Pricing Date	Closing Date	Term of Forward Delivery	Fwd Delivery Premium / Month	Total Fwd Delivery Premium	Current Market Interest Rate (10-Year)	Fwd Delivery Interest Rate
4/15/2021	9/16/2021	5-Months	0.04%	0.20%	1.80%	2.00%
(A)	(B)	$\frac{(B) - (A)}{= (C)}$	(D)	$\frac{(C) * (D)}{= (E)}$	(F)	$\frac{(E) + (F)}{= (G)}$

In consultation with the City’s municipal advisor, OPF is currently evaluating issuing Series 2021-R2 as forward delivery bonds in order to price them concurrently with Series 2021-R1 this spring. This would allow the City to lock in refunding savings with interest rates at all-time lows, hedging against the risk of rising interest rates, and achieve certain economies of scale by packaging the refunding issuances together. The alternative would be for the City to wait until September to issue the Series 2021-R2 refunding bonds separately. While interest rates are at historic lows now, there is no certainty as to whether interest rates will be higher or lower in September.

Based on bond market conditions as of February 2021, the City could issue the tax-exempt 2021 Refunding Bonds in the Spring of 2021 to refund the Prior Bonds and generate gross savings to property taxpayers of approximately \$25.2 million based on an estimated interest rate of 1.86%. On a net present value (“NPV”) basis, OPF estimates the debt service savings to be approximately \$23.0 million, or 11.17% of the total outstanding principal of the Prior Bonds to be refunded (\$206.2 million), which exceeds the City’s policy requirement that savings be at least 3.00% of the Prior Bond amount. This assumes Series 2021-R2 as a forward delivery sold at the same time as Series 2021-R1 in April 2021, with a 20 basis point (0.20%) premium over current market rates.

OPF will continue to monitor market conditions and evaluate the cost-benefit of the forward delivery and may revise the par amount of the refunding prior to the final sale or pricing date.

Table 2 below outlines the not-to-exceed sources and uses for the General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-R2, based on an estimate provided by Montague DeRose and Associates, LLC, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 2: Estimated Sources & Uses of the 2021 Refunding Bonds

Sources:	Series 2021-R1	Series 2021-R2	Total
<u>Refunding Bond Proceeds</u>			
Par Amount	\$95,850,000	\$87,810,000	\$183,660,000
Premium	\$19,326,284	\$9,098,279	\$28,424,563
Total Sources	\$115,176,284	\$96,908,279	\$212,084,563
<u>Uses:</u>			
Refunding Escrow	\$114,594,953	\$96,376,085	\$210,971,038
<u>Delivery Date Expenses</u>			
Cost of Issuance	\$407,854	\$373,268	\$781,122
Underwriter's Discount	\$173,477	\$158,926	\$332,403
Total Uses	\$115,176,284	\$96,908,279	\$212,084,563
<i>Reserve for Market Uncertainty</i>			<i>\$7,915,437</i>
Not-to-Exceed Par Amount			\$220,000,000

Source: Montague DeRose and Associates, LLC

The requested not-to-exceed par amount of \$220 million for the 2021 Refunding Bonds exceeds the current estimated refunding bond proceeds amount of approximately \$212 million in order to provide flexibility to capture the benefit of more favorable market conditions should they be available at the time of sale. Conditions that could result in a change in the anticipated bond par amount include fluctuations in market interest rates between the date of authorization by the Board and the sale of the 2021 Refunding Bonds, changes in the refunding escrow or changes in estimated delivery date expenses.

Based upon an estimated true interest cost of 1.86%, OPF estimates that average fiscal year debt service on the 2021 Refunding Bonds is approximately \$19.3 million. The anticipated total par value of \$183.7 million is estimated to result in approximately \$48.1 million in interest payments over the life of the 2021 Refunding Bonds. The total principal and interest payment over the approximate 12-year life of the 2021 Refunding Bonds is approximately \$231.8 million.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financings, see Attachment 2. The information set forth in Attachment 2 is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

Debt Limit

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4 billion. As of February 1, 2021, the City had approximately \$2.50 billion in aggregate principal amount of general obligation bonds outstanding, which equals approximately 0.83% of the net assessed valuation for fiscal year 2020-21. If all of the City's voter-authorized and unissued general obligation bonds were issued (\$2.3 billion), the total debt burden would be 1.59% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the 2021 Refunding Bonds, after their issuance, the debt ratio is estimated to slightly decrease.

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, February 23, 2021 with the form of the Preliminary Official Statement and Appendix A. The Appropriation Ordinance related to the sale of the 2021 Refunding Bonds was introduced on January 12, 2021.

Method of Sale: A negotiated sale is planned in connection with this transaction in order to maximize flexibility on the timing and structure of the sale to enhance refunding savings and bonding capacity while maintaining tax rates within the City's Capital Plan constraint. OPF issued a Request for Proposals ("RFP") to firms within the City's Underwriter Pool, which was established via a competitive process. An underwriting syndicate was selected in consultation with the City's Municipal Advisor based on the evaluation of the proposals received pursuant to the RFP consisting of BofA Securities, Inc. and Citigroup Global Markets Inc. as senior managers and Loop Capital Markets and TD Securities LLC as co-managers.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the Bonds and within seven days of the public offering, the Final Official Statement (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve and authorize the use and distribution of the Official Statement by the underwriters with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

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 bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

Pursuant to the Refunding Resolution, the Board hereby delegates to the Controller to finalize and revise the Official Statement, including the Appendix A, to, among other things, include the most recent City financial information or other material information relevant to investors, and to otherwise make corrections and clarifications needed so that such offering document complies with federal securities laws.

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of Appropriation to the Board of Supervisors	January 12, 2021
• Introduction of Resolutions to the Board of Supervisors	February 23, 2021
• Budget & Finance Committee Hearing	March 10, 2021
• Board Considers Approval of 2021 Refunding Resolution	March 16, 2021
• Board Considers Approval of Appropriation Ordinance (1 st Reading)	March 23, 2021
• Final Board Approval of Appropriation Ordinance (2 nd Reading)	March 23, 2021
• Sale of the 2021 Refunding Bonds	Estimated April 2021
• Closing of the 2021-R1 Refunding Bonds	April/May 2021
• Closing of the 2021-R2 Refunding Bonds	September 2021

*Please note that dates are estimated unless otherwise noted and assumes a forward delivery of Series 2021-R2. If OPF determines not to issue the 2021 Refunding Bonds concurrently, the sale of Series 2021-R2 would be anticipated in September 2021.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org), Luke Brewer (luke.brewer@sfgov.org), or Vishal Trivedi (vishal.trivedi@sfgov.org) if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Ashley Groffenberger, Mayor's Budget Director
Ben Rosenfield, Controller
Carmen Chu, City Administrator
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

Attachment 1

GO BONDS OUTSTANDING AS OF FEBRUARY 1, 2021

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	-	
			2007A	\$30,315,450	\$17,151,740	
			2015A	\$24,000,000	-	
<i>Reauthorization to Repurpose for Affordable Housing</i>	11/8/16		2019A	\$72,420,000	\$71,525,000	
			2020C	\$102,580,000	\$102,580,000	\$85,684,550
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$32,910,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$6,855,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$160,465,000	
			2012D	\$251,100,000	\$139,315,000	
			2014A	\$209,955,000	\$145,960,000	-
Earthquake Safety and Emergency Response Bond	6/8/10	\$412,300,000	2010E	\$79,520,000	-	
			2012A	\$183,330,000	-	
			2012E	\$38,265,000	\$26,755,000	
			2013B	\$31,020,000	\$15,860,000	
			2014C	\$54,950,000	\$38,175,000	
			2016C	\$25,215,000	\$20,450,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	\$66,195,000	
			2016E	\$44,145,000	\$35,795,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$36,785,000	
			2016B	\$43,220,000	\$22,255,000	
			2018A	\$76,710,000	\$43,145,000	
			2019B	\$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	\$69,920,000	
			2016D	\$109,595,000	\$68,985,000	
			2018C	\$189,735,000	\$132,715,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$39,985,000	
			2018B	\$174,445,000	\$98,115,000	
			2020B	\$135,765,000	\$135,765,000	\$122,785,000
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$46,130,000	
			2018D	\$142,145,000	\$98,120,000	
			2019C	\$92,725,000	\$25,225,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$112,175,000	
			2018E	\$49,955,000	\$35,195,000	
			2020D-1	\$111,925,000	\$111,925,000	
			2020D-2	\$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	\$9,475,000	\$375,325,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000				\$628,500,000
Health and Recovery Bond	11/4/20	\$487,500,000				\$487,500,000
SUBTOTAL		\$5,978,700,000		\$3,678,905,450	\$1,965,906,740	\$2,299,794,550
General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2011-R1	11/9/12			\$339,475,000	\$120,760,000	
Series 2015-R1	2/25/15			\$293,910,000	\$220,830,000	
Series 2020-R1	5/7/20			\$195,250,000	\$195,250,000	
SUBTOTAL				\$828,635,000	\$536,840,000	
TOTALS				\$4,507,540,450	\$2,502,746,740	\$2,299,794,550

Attachment 2

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following estimated information has been provided by the City's Municipal Advisor, Montague DeRose and Associates, LLC:

	Series 2021-R1	Series 2021-R2	Total 2021 Refunding Bonds
1. True interest cost:	<u>1.98%</u>	<u>1.54%</u>	<u>1.86%</u>
2. Finance charges, including all fees and charges for third parties (including underwriter's compensation, financial advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties):	<u>\$581,500</u>	<u>\$532,000</u>	<u>\$1,113,500</u>
3. Amount of bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve or capitalized interest funded with bond proceeds:	<u>\$114,595,000</u>	<u>\$96,376,000</u>	<u>\$210,971,000</u>
4. Total payment amount for the bonds, being the sum of (a) debt service on the bonds to final maturity, and (b) any financing costs not paid from bond proceeds:	<u>\$130,564,500</u>	<u>\$101,263,000</u>	<u>\$231,827,500</u>

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

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 _____, 2021

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: "____"

S&P: "____"

Fitch: "____"

(See "RATINGS" herein)

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the City, subject, however to certain qualifications described herein, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Co-Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein. [To be reviewed by Co-Bond Counsel.]



\$220,000,000*

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS**

consisting of

**[\$(2021-R1 Par Amount)]*
SERIES 2021-R1**

**[\$(2021-R2 Par Amount)]*
SERIES 2021-R2 [(Forward-Delivery)]**

Dated: Date of Delivery

Due: June 15, as shown in the inside cover

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

The City and County of San Francisco General Obligation Refunding Bonds, Series 2021-R1 (the "2021-R1 Bonds") and Series 2021-R2 [(Forward Delivery)] (the "2021-R2 Bonds," and together with the 2021-R1 Bonds, the "Bonds") will be issued under the Government Code of the State of California, the Charter of the City and County of San Francisco (the "City"), and the Administrative Code of the City. The issuance of the Bonds has been authorized by Resolution No. 97-20, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on March 3, 2020, and duly approved by the Mayor of the City on March 13, 2020 and Resolution No. _____, adopted by the Board of Supervisors on _____, 2021, and duly approved by the Mayor of the City on _____, 2021. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to refund certain outstanding general obligation bonds of the City (as further described herein, the "Prior Bonds"), and to pay certain costs related to the issuance of the Bonds and the refunding of the Prior Bonds. See "PLAN OF REFUNDING" and "SOURCES AND USES OF FUNDS."

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing [December] 15, 2021 with respect to the 2021-R1 Bonds and [June 15, 2022] with respect to the 2021-R2 Bonds. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

The Bonds will be subject to redemption prior to their respective stated maturities as described herein. See "THE BONDS – Redemption."

The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

MATURITY SCHEDULE

(See Inside Cover)

[For a discussion of the delayed delivery of the 2021-R2 Bonds, certain conditions to the obligation of the Underwriters to purchase the 2021-R2 Bonds and certain risks to purchasers of the 2021-R2 Bonds resulting from the delayed delivery of the 2021-R2 Bonds, see "FORWARD DELIVERY RISKS WITH RESPECT TO THE 2021-R2 BONDS" herein.]

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to the respective legal opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by _____, _____, California. It is expected that the 2021-R1 Bonds and the 2021-R2 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about _____, 2021 and _____, 2021, respectively.

[Underwriters]

Dated: _____, 2021

* Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP¹ Number: _____)

2021-R1 BONDS

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield ²	CUSIP ¹ Suffix
----------------------------	---------------------	------------------	--------------------------	------------------------------

\$ _____ % Term Bond due June 15, 20__ Price/Yield² _____ CUSIP¹: _____

2021-R2 BONDS

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield ²	CUSIP ¹ Suffix
----------------------------	---------------------	------------------	--------------------------	------------------------------

\$ _____ % Term Bond due June 15, 20__ Price/Yield² _____ CUSIP¹: _____

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 Underwriters take any responsibility for the accuracy of such numbers.

² Reoffering prices/yields furnished by the Underwriters. 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 Bonds 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 Bonds. 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.

The Underwriters (as defined in "UNDERWRITING" herein) have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

This Official Statement is submitted in connection with the sale of the Bonds 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 Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds 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 Bonds 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, public health emergencies, such as the COVID-19 pandemic, 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 issuance and sale of the Bonds 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 and social media accounts. The information presented on such website and social media accounts 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 Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

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*
Dean Preston, *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

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Jones Hall, A Professional Corporation
San Francisco, California

Curls Bartling P.C.
Oakland, California

Municipal Advisor

Montague DeRose and Associates, LLC
Walnut Creek, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth,
A Professional Corporation
Newport Beach, California

Verification Agent

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE CITY AND COUNTY OF SAN FRANCISCO	1
THE BONDS	3
Authority for Issuance; Purposes	3
Form and Registration	4
Payment of Interest and Principal	4
Redemption	4
Defeasance	6
PLAN OF REFUNDING	8
2021-R1 Bonds	8
2021-R2 Bonds	8
SOURCES AND USES OF FUNDS	9
Deposit and Investment of Bond Proceeds	9
DEBT SERVICE SCHEDULES	10
SECURITY FOR THE BONDS	12
General	12
Pledge	12
Statutory Lien on Taxes (Senate Bill 222)	12
Property Taxation	13
CERTAIN RISK FACTORS	15
Factors Affecting Property Tax Security for the Bonds	15
City Long-Term Financial Challenges	17
Seismic Risks	18
Climate Change, Risk of Sea Level Rise and Flooding Damage	19
Cybersecurity	21
Public Health Emergencies	22
Limitation on Remedies; Bankruptcy	22
State Law Limitations on Appropriations	24
Other Events	24
[FORWARD DELIVERY OF THE 2021-R2 BONDS]	25
Settlement	25
Conditions to Settlement	25
Termination of Forward Delivery Purchase Contract	26
Occurrence of Material Events or Conditions	27
Other Investment Considerations	27
Secondary Market	27
TAX MATTERS	27
OTHER LEGAL MATTERS	27
PROFESSIONALS INVOLVED IN THE OFFERING	28
VERIFICATION OF MATHEMATICAL COMPUTATIONS	28
ABSENCE OF LITIGATION	28
CONTINUING DISCLOSURE	29
RATINGS	29
UNDERWRITING	29
MISCELLANEOUS	31
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, 2020
APPENDIX C –	CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER INVESTMENT POLICY
APPENDIX D –	FORM OF CONTINUING DISCLOSURE CERTIFICATE
APPENDIX E –	DTC AND THE BOOK-ENTRY ONLY SYSTEM
APPENDIX F –	PROPOSED FORM OF OPINION OF CO-BOND COUNSEL (2021-R1 BONDS)
APPENDIX G –	PROPOSED FORM OF OPINION OF CO-BOND COUNSEL (2021-R2 BONDS)

OFFICIAL STATEMENT

\$220,000,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS

consisting of

[\$2021-R1 Par]*
SERIES 2021-R1

[\$2021-R2 Par]*
SERIES 2021-R2
[(Forward Delivery)]

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the “City”) of its General Obligation Refunding Bonds, Series 2021-R1 (the “2021-R1 Bonds”) and Series 2021-R2 [(Forward Delivery)] (the “2021-R2 Bonds,” and together with the 2021-R1 Bonds, the “Bonds”). The Board of Supervisors of the City (the “Board of Supervisors”) at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See “SECURITY FOR THE BONDS.”

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 with respect to each series of the Bonds, 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 Bonds, the resolutions providing for the issuance and payment of the Bonds, and provisions of the Constitution and statutes of the State of California (the “State”), the charter of the City (the “Charter”) and City 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 Bonds are available from the City through the Controller’s Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 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 Napa-

* Preliminary, subject to change.

Sonoma wine country is about an hour's drive to the north. The City estimates the City's population in fiscal year 2018-19 was 887,463.

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, healthcare and higher education. The California State Supreme Court is also based in San Francisco.

The COVID-19 pandemic is a significant development materially adversely affecting the City's finances and outlook. Many aspects of the City's finances and operations and the local economy have been and are expected to continue to be materially adversely impacted by the COVID-19 pandemic. Accordingly, any historical information or budgets and projections described in this Official Statement, including APPENDICES A and B attached hereto, which predate the COVID-19 pandemic or do not fully reflect its potential impact, should be considered in light of a possible or probable negative impact from the COVID-19 pandemic. To date, City economic and tax revenue losses associated with the COVID-19 pandemic have been stark and immediate. Impacts from the COVID-19 pandemic have been and are expected to be significant to many aspects of the local economy and City operations and finances. These impacts involve many developing and unknown outcomes. The projections and other forward-looking statements in this Official Statement are based on current expectations and 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. See "CERTAIN RISK FACTORS – Public Health Emergencies" and APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19" herein. The City may post certain reports and other information relating to the COVID-19 pandemic when available on its investor information website located at <https://sfcontroller.org/continuing-secondary-market-disclosure>.

The City has historically been a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during calendar year 2019, approximately 26.2 million tourists visited the City, with total spending estimated at \$10.2 billion, including spending from conventions, trade shows and group meetings. The COVID-19 pandemic has significantly adversely impacted and is expected to continue to adversely impact tourism and convention activities in the City.

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. The City estimates the per-capita personal income of the City for fiscal year 2018-19 was \$130,961. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten ("TK") schools, 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, 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, is owned by the City and is operated by the San Francisco Airport Commission (the “Airport Commission”), and 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 2018-19, SFO serviced approximately 57 million passengers and handled 564,521 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 four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City’s final adopted budget for fiscal year 2020-21 and 2021-22 totals \$13.6 billion and \$12.4 billion, respectively. The General Fund portion of each year’s final adopted budget is \$6.2 billion in fiscal year 2020-21 and \$5.8 billion in fiscal year 2021-22, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission (“SFPUC”). According to the City’s Treasurer and Tax Collector, at the start of fiscal year 2020-21, total net assessed valuation of taxable property in the City was approximately \$301.4 billion, which represents an increase of 7.2% over fiscal year 2019-20.

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, 2020.”

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State, the Charter of the City (the “Charter”), and the Administrative Code of the City. The City authorized the issuance of the Bonds in Resolution No. 97-20, adopted by the Board of Supervisors on March 3, 2020 and duly approved by the Mayor of the City on March 13, 2020 (the “Authorizing Resolution”), and Resolution No. _____, adopted by the Board of Supervisors on _____, 2021 and duly approved by the Mayor of the City on _____, 2021 (the “Sale Resolution,” and together with the Authorizing Resolution, the “Resolution”).

The Bonds will be issued to refund certain outstanding general obligation bonds of the City originally issued to fund or refund various capital projects of the City (the “Prior Bonds”). The Prior Bonds are more particularly described under “PLAN OF REFUNDING” herein. Under Section 9.109 of the Charter, no voter approval is required for the authorization, issuance and sale of refunding bonds which are expected to result in net debt service savings to the City on a present value basis. The City will only issue the Bonds if doing so results in net debt service savings to the City on a present value basis.

Proceeds of the Bonds will also be used to pay certain costs associated with the issuance of the Bonds and the refunding of the Prior Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of \$5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as Registered Owner (as defined below) and nominee for The Depository Trust Company (“DTC”), which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX E – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” The City may treat the Registered Owner of the Bonds as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

Payment of Interest and Principal

The Treasurer of the City will act as paying agent and registrar with respect to the Bonds. Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing [December] 15, 2021 with respect to the 2021-R1 Bonds and [June 15, 2022] with respect to the 2021-R2 Bonds, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the Paying Agent as the registered owner thereof (the “Registered Owner”) as of the close of business on the last day of the month immediately preceding an interest payment date (the “Record Date”), whether or not such day is a business day. Each 2021-R1 Bond authenticated on or before [November] 30, 2021 and each 2021-R2 Bond authenticated on or before [May 30, 2022], will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest at its stated rate from the interest payment date to which interest has previously been paid or made available for payment on the Bonds or from the date of delivery if the first interest payment is not made.

The Bonds will mature on the dates shown on the inside cover page hereof, and are subject to redemption prior to their respective stated maturity dates as provided herein. See “Redemption” below. The principal of the Bonds will be payable in lawful money of the United States to the Registered Owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the Paying Agent.

The Registered Owner of an aggregate principal amount of at least \$1,000,000 of the Bonds may submit a written request to the Paying Agent on or before a Record Date preceding an interest payment date for payment of interest by wire transfer to a commercial bank located within the United States of America. For so long as the Bonds are held in book-entry form by a securities depository selected by the City pursuant to the Resolution, payment may be made to the Registered Owner of the Bonds designated by such securities depository by wire transfer of immediately available funds.

Redemption

Optional Redemption

The Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated maturities. The Bonds maturing on and after June 15, 20__ will be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the “Redemption Date”), without premium.

*Mandatory Redemption**

The Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, by lot, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption Date (June 15)	Sinking Fund Payment Principal Amount

† Maturity	

In lieu of any such mandatory redemption, the City may apply amounts on deposit in the Bond Fund created for the Bonds under the Resolution (the “Bond Fund”) to purchase Bonds subject to such redemption at public or private sale, as and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

Selection of Bonds for Redemption

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

Notice of Redemption

The City Treasurer will mail, or cause to be mailed by its agent, including but not limited to an escrow agent, notice of any redemption of the Bonds, postage prepaid, to the respective Registered Owners thereof at the addresses appearing on the Bond registration books not less than 20 nor more than 60 days prior to the Redemption Date.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the Paying Agent or his or her agent; and (f) give notice that interest on such Bonds will cease to accrue after the designated Redemption Date.

Unless funds are on deposit in the Redemption Account for any Bonds (the “Redemption Account”) called for redemption on the date the notice of redemption is given, redemption will be conditioned on sufficient moneys to redeem such Bonds being on deposit in the Redemption Account for the Bonds called for redemption on the Redemption Date, and if sufficient moneys to redeem the Bonds called for redemption are not on deposit in the Redemption Account for such Bonds on the redemption date, the Bonds called for redemption will not be redeemed and will remain Outstanding for all purposes of the Resolution and the redemption not occurring will not constitute an event of default under the Resolution. See “– Conditional Notice; Right to Rescind Notice of Optional Redemption” below.

* Preliminary, subject to change.

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

Effect of Notice of Redemption

When notice of optional redemption has been given, substantially as described above, the Bonds designated for redemption will become due and payable on the Redemption Date (subject to the condition set forth above under the heading “– Notice of Redemption” and below under the heading “– Conditional Notice; Right to Rescind Notice of Optional Redemption”), and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the Registered Owners of such Bonds will look for payment of such Bonds only to such Redemption Account. All Bonds redeemed will be cancelled by the Paying Agent and will not be reissued. Moneys held in the Redemption Account will be invested by the City Treasurer pursuant to the City’s policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit in the Redemption Account of sufficient moneys to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given substantially as provided above and on the scheduled Redemption Date (i) sufficient moneys to redeem the applicable Bonds have not been deposited in the Redemption Account or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not be redeemed and will remain Outstanding for all purposes of the Resolution and the redemption not occurring will not constitute an Event of Default under the Resolution.

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

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds’ respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, provided that in the case of the portion of Bonds which are to be redeemed prior to such Bonds’ respective stated maturities and for which notice of such redemption has been given as described above or an irrevocable election to give such notice has been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if any, as will, without reinvestment, as certified by an independent certified public accountant, to be sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and premium, if any, due on the portion of the Bonds to be paid or redeemed, as such

principal, premium, if any, and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, irrevocable notice of such redemption will be given as described above or an irrevocable election to give such notice has been made by the City; then, upon the deposit described in (a) or (b) above, all obligations of the City with respect to said Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the Registered Owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to such Bonds; provided, that the City shall have received, if desirable, an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolution.

As used in this section, the following terms have the meanings given below:

“Defeasance Securities” means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent thereof has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash) in the escrow fund for such municipal obligation are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by a trustee or other escrow agent; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund for the Bonds to be refunded, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on such United States Obligations.

“United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America which is selected by the Director of Public Finance and which is rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of the initial deposit to the escrow fund for the Bonds to be refunded and upon any substitution or subsequent deposit to the escrow fund, by any two Rating Agencies not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

“Rating Agencies” means Moody’s Investors Service, Inc., Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date of adoption of the Resolution.

PLAN OF REFUNDING

2021-R1 Bonds

The City plans to use the proceeds of the 2021-R1 Bonds to [defease on the date of delivery of the 2021-R1 Bonds and to] redeem on June 15, 2021 the following outstanding general obligation bonds of the City (collectively, the “2013A/B/C Bonds”):

Description of Bonds	Original Par Amount	Par Amount to be Refunded	Maturities to be Refunded	Redemption Price	Redemption Date
General Obligation Bonds, Series 2013A (the “2013A Bonds”)	\$71,970,000	\$34,690,000	2022-2033	100%	6/15/2021
General Obligation Bonds, Series 2013B (the “2013B Bonds”)	\$31,020,000	\$14,955,000	2022-2033	100%	6/15/2021
General Obligation Bonds, Series 2013C (the “2013C Bonds”)	\$129,560,000	\$62,425,000	2022-2033	100%	6/15/2021
Total	\$232,550,000	\$112,070,000			

On the date of delivery of the 2021-R1 Bonds, a portion of the proceeds of the 2021-R1 Bonds in the amount of \$ _____ plus amounts transferred from funds related to the 2013A/B/C Bonds in the amount of \$ _____ will be applied to the purchase of certain securities (“Escrow Securities”). The Escrow Securities will be held by _____, as escrow agent (the “Escrow Agent”), and will mature at such times and in such amounts so that, together with cash held by the Escrow Agent, sufficient moneys will be available to redeem the 2013A/B/C Bonds described above at the principal amount thereof, together with the interest accrued thereon to, but not including, June 15, 2021.

Neither the maturing principal of such Escrow Securities nor the interest income thereon will be available to pay the 2021-R1 Bonds. See “SOURCES AND USES OF FUNDS” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

2021-R2 Bonds

[It is expected that the 2021-R2 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2021. For a discussion of the delayed delivery of the 2021-R2 Bonds, certain conditions to the obligation of the Underwriters to purchase the 2021-R2 Bonds and certain risks to purchasers of the 2021-R2 Bonds resulting from the delayed delivery of the 2021-R2 Bonds, see “FORWARD DELIVERY RISKS WITH RESPECT TO THE SERIES 2021-R2 BONDS” herein.]

The City plans to use the proceeds of the 2021-R2 Bonds to [defease on the date of delivery of the 2021-R2 Bonds and to] redeem on December 15, 2021 the following outstanding general obligation bonds of the City (the “2011-R1 Bonds,” and together with the 2013A/B/C Bonds, the “Prior Bonds”):

Description of Bonds	Original Par Amount	Par Amount to be Refunded	Maturities to be Refunded	Redemption Price	Redemption Date
General Obligation Refunding Bonds, Series 2011-R1	\$339,475,000	\$94,125,000	2022-2030	100%	12/15/2021
Total	\$339,475,000	\$94,125,000			

On the date of delivery of the 2021-R2 Bonds, a portion of the proceeds of the 2021-R2 Bonds in the amount of \$_____ plus amounts transferred from funds related to the 2011-R1 Bonds in the amount of \$_____ will be applied to the purchase of Escrow Securities. The Escrow Securities will be held by the Escrow Agent, and will mature at such times and in such amounts so that, together with cash held by the Escrow Agent, sufficient moneys will be available to redeem the 2011-R1 Bonds described above at the principal amount thereof, together with the interest accrued thereon to, but not including, December 15, 2021.

Neither the maturing principal of such Escrow Securities nor the interest income thereon will be available to pay the 2021-R2 Bonds. See “SOURCES AND USES OF FUNDS” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the Bonds:

Sources	<u>2021-R1</u>	<u>2021-R2</u>	<u>Total</u>
Principal Amount of Bonds			
Original Issue Premium			
Funds related to the Prior Bonds			
Total Sources of Funds			
Uses			
Refunding of the Prior Bonds			
Underwriters’ Discount			
Costs of Issuance ⁽¹⁾			
Total Uses of Funds			

⁽¹⁾ Includes fees for services of rating agencies, Municipal Advisor, Co-Bond Counsel, Co-Disclosure Counsel, costs of the City, printing, and other miscellaneous costs associated with the issuance of the Bonds and refunding of the Prior Bonds.

Deposit and Investment of Bond Proceeds

Any proceeds of the Bonds not needed for the redemption of the Prior Bonds will be transferred to the Bond Fund, and all taxes levied for payment of the Bonds will be deposited upon collection by the City into the Bond Fund, and such funds will be used for the payment of the principal of and interest on the Bonds (collectively, the “Debt Service”). The City Treasurer will transfer from the Bond Fund any amounts necessary to pay the Debt Service on the Bonds on each interest payment date. With the consent of the Director of Public Finance of the City, all moneys on deposit in the Costs of Issuance Fund twelve months after issuance of the Bonds will be transferred to the Bond Fund and applied to pay interest on the Bonds. All moneys held by the City Treasurer in the Bond Fund will be invested in any investment of the City in which moneys of the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in the Bond Fund with other City moneys for investment purposes only; provided, however, that all of the moneys held in

the Bond fund will be accounted for separately notwithstanding any such commingling by the City Treasurer. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

DEBT SERVICE SCHEDULES

The scheduled debt service payable with respect to the Bonds (assuming no optional redemption prior to maturity) is as follows:

**Scheduled Debt Service on the
City and County of San Francisco
General Obligation Refunding Bonds
Series 2021-R1 and Series 2021-R2**

<u>Payment Date</u>	<u>2021-R1 Principal</u>	<u>2021-R1 Interest</u>	<u>2021-R2 Principal</u>	<u>2021-R2 Interest</u>	<u>Total Principal and Interest</u>	<u>Fiscal Year Ending June 30 Total</u>
Total	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Total scheduled debt service (principal plus interest) payable with respect to all outstanding general obligation bonds of the City, including the Bonds (assuming no optional redemption prior to maturity), is as follows:

**City and County of San Francisco
General Obligation Bonds
Total Debt Service Requirements
(principal plus interest)**

Fiscal Year Ending June 30	Bonds	Total Debt Service Other Outstanding General Obligation Bonds⁽¹⁾	Fiscal Year Ending June 30 Total⁽²⁾
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
2058			
Total⁽²⁾			

⁽¹⁾ Shows debt service after the refunding of the Prior Bonds.

⁽²⁾ Totals reflect rounding to nearest dollar.

SECURITY FOR THE BONDS

General

The Resolution provides that for the purpose of paying the principal of and interest on the Bonds, the City at the time of fixing the general tax levy will continue to fix, and in the manner provided for such general tax levy, levy and collect taxes annually each year until all outstanding Bonds have been paid, or provision for their payment has been made in accordance with the Resolution; provided, however, that if the City expects to sell any Bonds at such time that the principal of or interest on such Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City, at the time of fixing the annual tax levy, may adjust the tax levy in an amount sufficient to pay that portion of the principal of and interest on such Bonds which it expects will become due before the proceeds of the next succeeding tax levy will be available. Said tax will be in addition to all other taxes levied for City purposes and will be collected at the same time and in the same manner as other taxes of the City are collected. See “Property Taxation” below.

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. In general, if overall assessed values of taxable property in the City were to decline, then the City, in order to generate sufficient tax revenues to pay debt service on the Bonds and other general obligation bonds, would increase tax rates applicable to the Bonds and other general obligations bonds. See “Property Taxation” below.

Pursuant to the Resolution, the City will pledge the proceeds of the tax levied to pay the Bonds as security for the Bonds and the interest thereon. See “Pledge” below.

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. See “Statutory Lien on Taxes (Senate Bill 222)” below.

Under the Resolution, the City is not obligated to pay the debt service from any sources other than as described above. This Official Statement, including APPENDIX A hereto, provides information on the City’s overall operations and finances with an emphasis on its General Fund and therefore includes information on revenues and other funds that are not pledged to the Bonds under the Resolution and that should not be considered available to pay debt service on the Bonds.

Pledge

Pursuant to the Resolution, the City will pledge the proceeds of the tax levied to pay the Bonds as security for the Bonds and the interest thereon, and the Treasurer is directed to deposit the proceeds of the aforementioned taxes into the Bond Fund. So long as any Bonds are Outstanding, moneys in the Bond Fund will be used solely for the purpose of paying the principal of and interest on the Bonds when and as the same become due and payable. In addition, the payment of such principal and interest will be secured by the statutory lien of California Government Code Section 53515. See “Statutory Lien on Taxes (Senate Bill 222)” below.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 of the California Government Code provides that the lien will automatically arise,

without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time such bonds are executed and delivered. Section 53515 of the California Government Code further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See “CERTAIN RISK FACTORS – Limitation on Remedies; Bankruptcy.”

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. 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. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2020-21, the total net assessed valuation of taxable property (net of homeowner’s exemption) within the City was approximately \$301.4 billion, which represents an increase in 7.2% over fiscal year 2019-20. For additional information on the property taxation system, assessed values and appeals to assessed values, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation.”

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 Controller of the City (the “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 XIII A 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 prepare and mail 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 the payment of principal and interest on such bonds, including the Bonds, when due.

Of the \$301.4 billion total net assessed valuation of taxable property within the City at the start of fiscal year 2020-21, \$283.9 billion (94.2%) represents secured valuations and \$17.5 billion (5.8%) represents unsecured 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 XIII A of the State Constitution added by Proposition 13 in 1978, property 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. 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. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies.”

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years’ budget projections of property tax revenues. Historical information on refunds of prior years’ property taxes from the discretionary General Fund appeals reserve fund are listed in Table A-8 of APPENDIX A attached hereto.

Tax Levy and Collection Process. 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. As discussed in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Tax Levy and Collection,” the Board of Supervisors approved a resolution on May 5, 2020 setting the property tax deadline to May 15, 2020.

Teeter Plan. In October 1993, the Board of Supervisors of the City passed a resolution that adopted the Alternative Method of Tax Apportionment (the “Teeter Plan”). 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. 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. Information on this Tax Loss Reserve is as shown on Table A-9 in APPENDIX A attached hereto.

Taxation of 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 2020-21 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

CERTAIN RISK FACTORS

The COVID-19 pandemic is a significant development materially adversely affecting the City’s finances and outlook. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19” and “Public Health Emergencies” below.

The Resolution provides that the Bonds are payable from and secured by a voter-approved dedicated property tax levy on all taxable property in the City. Under the Resolution, the City is not obligated to pay the Debt Service from any other sources. This Official Statement, including Appendix A hereto, provides information on the City’s overall operations and finances with an emphasis on its General Fund and therefore includes information on revenues and other funds that are not pledged to the Bonds under the Resolution and that should not be considered available to pay debt service on the Bonds. See “SECURITY FOR THE BONDS” herein.

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from *ad valorem* property taxes may cause the overall property tax rate to increase.

Discussed below are certain factors that may affect the City’s ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” for additional information on these factors.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the City’s general obligation bonds. The net total assessed valuation of taxable property in the City in fiscal year 2020-21 is approximately \$301.4 billion. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies.”

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See “Seismic Risks” below. Other natural or man-made disasters, such as flood and sea level rise (see “Climate Change, Risk of Sea Level Rise and Flooding Damage” below), fire, toxic dumping, acts of terrorism or public health emergencies, such as the COVID-19 pandemic (see “Public Health Emergencies” below), could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the Bay Area’s economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer’s financial situation and ability or willingness to pay property taxes. As of July 1, 2020, no single assessee owned more than 0.891% of the total taxable assessed value in the City. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Tax Levy and Collection.”

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per \$100 of assessed value (including the basic countywide 1% rate required by statute) is discussed further in APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies.”

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City’s boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City’s gross general obligation debt limit for fiscal year 2020-21 is approximately \$9.04 billion, based on a net total assessed valuation of approximately \$301.4 billion. As of November 5, 2020, the City had outstanding approximately \$2.4 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.80% of the net assessed valuation for fiscal year 2020-21. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds.”

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of November 5, 2020, the City had voter approval to issue up to \$1.9 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds.” In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City’s most recent adopted 10-year capital plan identifies \$39.1 billion of capital needs for all City departments, including \$5.1 billion in projects for General Fund-supported departments. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Capital Plan.”

Limitations on Development. Construction and development in the City could be limited by governmental or legal limits on growth and/or challenges in the approval of certain residential and commercial projects. For example, San Francisco voters passed Proposition M in November 1986 which created an annual limit on the construction of new office space throughout the City (i.e., 950,000 square feet per year). Proposition M amended the Office Development Annual Limit Program (the “Annual Limit Program”) under the City’s Planning Code, which Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. The central provision of the Annual Limit Program is a “metering limit” designed to restrict the amount of office space authorized in a given year. No office project subject to the metering limit can be entitled without receiving an allocation under the Annual Limit Program. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical “boom and bust” cycles, among other goals.

In March 2020, voters of the City approved Proposition E, amending existing citywide limits on new office development. Proposition E links the amount of new office space that can be approved annually in San Francisco to the City’s performance on building new affordable housing. Proposition E allows projects that provide affordable housing and space for community arts or local retail, particularly in the Central South of

Market (SoMa) neighborhood, to proceed sooner by borrowing from future allocations. Proposition E also changes the City’s criteria for approving new office developments.

As described above, the City currently limits the total amount of new office construction that can be approved each year to 950,000 square feet, pursuant to Proposition M. Of this, 75,000 square feet is reserved for projects between 25,000 and 50,000 square feet (called the “small cap”), while 875,000 square feet is reserved for office buildings greater than 50,000 square feet (called the “large cap”). Any office development less than 25,000 square feet is exempt from the cap. If the City’s Planning Commission does not allocate the full cap amount in one year, the remaining square footage accrues to future years. Proposition E links the amount of office construction allowed in the large cap category to the amount of affordable housing that began construction in the prior calendar year. More specifically, the 875,000-square-foot large cap would be reduced by the same percentage that the City is falling short on meeting its affordable housing goals. For example, if the City produces only 50% of its affordable housing goal one year, then the City can only approve 50% of the 875,000 square feet in the large cap category the following year.

Proposition E also limits the amount of large cap office space that may be allocated in the Central SoMa neighborhood to 6 million square feet until at least 15,000 new housing units are produced in the larger SoMa area.

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 also, for example, “Seismic Risks” and “Climate Change, Risk of Sea Level Rise and Flooding Damage” below). While the City had strong economic and financial performance during the recovery from the great recession 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. **In particular, the City faces new significant adverse financial and budgetary challenges due to the COVID-19 pandemic.** See “Public Health Emergencies” below and APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19.”

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 \$39.1 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 \$4.9 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. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – City Budget.”

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES.”

Seismic Risks

General. The City is located in a seismically active region. 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, as well as a number of other significant faults in the region. 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 earthquakes of 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, infrastructure and residential and business real property values.

Earthquake Safety Implementation Plan (ESIP). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (CAPSS), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco’s buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2020. [As of October 12, 2020, approximately 75% of the buildings have been brought into compliance.] Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City (the “Port Commission”) 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 taller 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. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this Statewide program. The City’s Disaster Recovery Taskforce had its kickoff meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – “Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings” was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

The City obtains and maintains 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 – Legal Matters 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 will become more common, 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 Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

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 incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

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. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds for repair and improvement projects

on the Seawall. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds.”

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 Bonds. 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.

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 which have resulted in or could have resulted in adverse consequences to the City’s Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, 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.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization ("WHO") announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19." The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. To date, City economic and tax revenue losses associated with the COVID-19 pandemic have been stark and immediate. Future impacts from the COVID-19 pandemic have been and are expected to be significant to many aspects of the local economy and City operations and finances. The ultimate impact of COVID-19 on the City's operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. The City has undertaken modifications to its standard budget approval process calendar and has been issuing and plans to issue periodic updates on the Controller's website. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described herein under APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19." The COVID-19 outbreak is expected to have material adverse impacts on the projections and budget information provided in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES." Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances.

Limitation on Remedies; Bankruptcy

General. The rights of the owners of the Bonds are subject to limitations on legal remedies against the City, including applicable bankruptcy or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the City were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the City (including *ad valorem* tax revenues) or to enforce any obligation of the City, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the City may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the City may be able to eliminate the obligation of the City to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any City bankruptcy proceeding, the fact of a City bankruptcy proceeding, could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if the City were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, the City is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the City's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the City for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See "SECURITY FOR THE BONDS." Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the City, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed (unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code).

Special Revenues. If the tax revenues that are pledged to the payment of the Bonds (see "SECURITY FOR THE BONDS") are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The City has specifically pledged the taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where the applicable bond proposition is approved by at least two-thirds of the votes cast. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the City is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the City before the remaining revenues are paid to the owners of the Bonds.

Possession of Revenues; Remedies. If the City goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the City does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually (the “Gann Limit”). 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 XIII B of the California Constitution.”

Other Events

Seismic events, wildfires, tsunamis, other natural or man-made events and civil unrest may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City’s ability to provide municipal services.

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.

In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest (the “Rim Fire”) burned over 257,135 acres, 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. 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 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.

Many areas of northern California have suffered from wildfires in recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles

and resulting numerous deaths and over \$16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that these fires were caused, in part, by faulty power lines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 and 2020, parts of the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

In August and September of 2020, California experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

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 – Legal Matters and Risk Management."

[FORWARD DELIVERY OF THE 2021-R2 BONDS]

[The City expects that the 2021-R2 Bonds will be issued and delivered on or about _____, 2021. There are numerous conditions which must be satisfied prior to issuance and delivery of the 2021-R2 Bonds and the following is not meant to be an exhaustive list of such conditions. There can be no assurance that all of the conditions to the issuance and delivery of the 2021-R2 Bonds will be satisfied nor that the 2021-R2 Bonds will be issued.]

Settlement

On or about _____, or such other date as may be mutually agreed upon by the City and the Underwriters, the City will, subject to the terms and conditions of the Forward Delivery Purchase Contract (the "Forward Delivery Purchase Contract") between the City and the Underwriters (the "Forward Delivery Purchase Contract"), deliver the 2021-R2 Bonds to the Underwriters and deliver or cause to be delivered to the Underwriters the other documents, opinions, certificates and instruments required by the Forward Delivery Purchase Contract to be delivered as part of the settlement as more fully discussed below (the "Settlement Documents"). Subject to the terms and conditions of the Forward Delivery Purchase Contract, the Underwriters will accept such delivery and pay the purchase price for the 2021-R2 Bonds. All of the foregoing described transactions are referred to herein as the "Settlement," and the date upon which such transactions are consummated is referred to herein as the "Final Settlement Date."

Conditions to Settlement

General. The settlement and the issuance of the 2021-R2 Bonds will not require further action by the City other than the satisfaction of the specific conditions of the Forward Delivery Purchase Contract, including delivery of the Settlement Documents. The Settlement Documents include, among other items, the opinions of Co-Bond Counsel with respect to the 2021-R2 Bonds in substantially the form set forth as APPENDIX G hereto and certain other opinions of Co-Bond Counsel, Co-Disclosure Counsel, the City Attorney and counsel to the Underwriters, as well as a certificate of the City as to the completeness and accuracy of the Official Statement as it may have been supplemented and amended to the Final Settlement Date.

[THE FORWARD DELIVERY PURCHASE CONTRACT DOES NOT PERMIT THE UNDERWRITERS TO REFUSE TO ACCEPT DELIVERY OF AND PAY FOR THE 2021-R2 BONDS BECAUSE OF ANY ADVERSE CHANGE IN THE BUSINESS OR AFFAIRS OF THE CITY, BUT ONLY PERMITS SUCH REFUSAL IF ANY SUCH CHANGE HAS NOT BEEN ACCURATELY AND COMPLETELY DESCRIBED IN THE OFFICIAL STATEMENT OR IN A SUPPLEMENT OR AMENDMENT TO THE OFFICIAL STATEMENT OR IF SUCH CHANGE WOULD CAUSE THE CITY OR ANOTHER PARTY TO BE UNABLE TO DELIVER ANY OF THE SETTLEMENT DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE FORWARD DELIVERY PURCHASE CONTRACT.

FAILURE TO COMPLETE THE REQUIREMENTS OF THE SETTLEMENT, INCLUDING FAILURE OF THE CITY TO DELIVER ANY OF THE SETTLEMENT DOCUMENTS IN THE FORM AND SUBSTANCE PROVIDED FOR IN THE FORWARD DELIVERY PURCHASE CONTRACT (UNLESS SUCH FAILURE IS WAIVED BY THE UNDERWRITERS), WILL MEAN THAT THE 2021-R2 BONDS WILL NOT BE ISSUED AND DELIVERED. THE UNDERWRITERS HAVE THE RIGHT, BUT ARE UNDER NO OBLIGATION, TO WAIVE ANY SUCH FAILURE.]

Issuance of Legal Opinions. It is a condition to the issuance of the 2021-R2 Bonds on the Final Settlement Date that Co-Bond Counsel each deliver its approving opinion with respect to the 2021-R2 Bonds in substantially the form attached hereto as APPENDIX G. The ability Co-Bond Counsel to deliver their opinions on the Final Settlement Date is subject to their review and analysis at that time of certain matters, including, among others, the application of the proceeds of the 2021-R2 Bonds and pertinent provisions of statutes, regulations, rulings and court decisions, including, but not necessarily limited to, State law and federal income tax and security laws then in effect or proposed to be in effect. Co-Bond Counsel have advised the City and the Underwriters that, assuming satisfaction by the City and the Underwriters of their respective obligations to be satisfied in the Forward Delivery Purchase Contract, and the issuance of the 2021-R2 Bonds, and no change in any applicable law, regulations or rulings, or in interpretations thereof, or in any other facts or circumstances (tax or otherwise) which, in Co-Bond Counsel's view, affect or are material to their opinions (including, without limitation, the existence of any litigation), Co-Bond Counsel expect to be able to issue on the Final Settlement Date separate opinions with respect to the 2021-R2 Bonds in substantially the form attached hereto as APPENDIX G. In addition, in order to deliver such opinions, appropriate certifications and representations will be required to establish the reasonable expectations of the City. No assurances can be made that there will be no change in any applicable law, regulations or rulings, or in the interpretations thereof, prior to the Final Settlement Date; the facts and circumstances that are material to such opinions will not differ, as of the Final Settlement Date, from those that are currently expected; or such certifications and representations will be delivered and made in connection with the issuance of the 2021-R2 Bonds. As a consequence of any of the foregoing, Co-Bond Counsel may be unable to render their opinions.

[Ratings. As described above, the Forward Delivery Purchase Contract does not permit the Underwriters to refuse to accept delivery of and pay for the 2021-R2 Bonds because of any adverse change in the business or affairs of the City. Accordingly, it is not a condition to the Settlement that any ratings on the 2021-R2 Bonds be confirmed.]

Termination of Forward Delivery Purchase Contract

The Underwriters may terminate the Forward Delivery Purchase Contract, without liability, if the City fails to satisfy the conditions to the Underwriters' purchase of the 2021-R2 Bonds under the Forward Delivery Purchase Contract, or if there shall occur any of the following:

- (i) *[Termination events to come.]*

Occurrence of Material Events or Conditions

During the period prior to the Final Settlement Date, material events or conditions could occur which are not described in this Official Statement and information contained in this Official Statement could change in a material respect. In such event, pursuant to the Forward Delivery Purchase Contract, the City has agreed to supplement this Official Statement. The City will also cause to be prepared either an updated Official Statement or a supplement to this Official Statement, as elected by the City, dated a date not more than fourteen (14) days nor less than five (5) days prior to the Final Settlement Date relating to the 2021-R2 Bonds which updated Official Statement, as of such date, will be correct and complete and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Other Investment Considerations

Events occurring prior to the Final Settlement Date may have significant consequences to persons who have agreed to purchase the 2021-R2 Bonds on the Final Settlement Date. The values of the 2021-R2 Bonds of each maturity on the Final Settlement Date are unlikely to be the same as, and in all likelihood will be greater or less than, the purchase price therefor, and such differences may be substantial. Several factors may adversely affect such values including, but not limited to, a general increase in interest rates for all obligations and other indebtedness, any threatened or adopted change in the federal income tax laws affecting the relative benefits of owning tax-exempt securities versus other types of investments, such as fully taxable obligations, or any adverse development with respect to the City's results of operations, financial condition or prospects or with respect to the ratings of the 2021-R2 Bonds. In addition, although the delivery of the opinions of Co-Bond Counsel in substantially the form attached hereto as APPENDIX G, which is a condition to the issuance and delivery of the 2021-R2 Bonds, is subject to any number of conditions to be fulfilled at the time of such delivery as described above, changes or proposed changes in federal income tax laws or regulations or interpretations thereof could affect the market value of tax-exempt securities generally, including, without limitation, the 2021-R2 Bonds, without preventing the delivery of the 2021-R2 Bonds at the Settlement.

Secondary Market

The Underwriters are not obligated to establish a secondary market in the 2021-R2 Bonds and no assurances can be given that a secondary market will exist for the 2021-R2 Bonds during the period prior to the Final Settlement Date. Prospective purchasers of the 2021-R2 Bonds should assume that the 2021-R2 Bonds will not be a liquid investment throughout the period prior to the Final Settlement Date.]

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation and Curls Bartling P.C., Co-Bond Counsel to the City ("Co-Bond Counsel"), _____ . *[To come.]*

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Jones Hall, A Professional Corporation, San Francisco, California and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the City. The proposed form of the legal opinion of Co-Bond Counsel is set forth in APPENDIX F hereto. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel.

Co-Disclosure Counsel have served as co-disclosure counsel to the City and in such capacity have advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Co-Disclosure Counsel are not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and have 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 Bonds, Co-Disclosure Counsel will each 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 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 Bonds 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 light of the circumstances under which they were made, not misleading. No purchaser or holder of the Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Co-Disclosure Counsel's having acted in the role of co-disclosure counsel to the City.

Certain legal matters will be passed upon for the Underwriters by their counsel, _____.

PROFESSIONALS INVOLVED IN THE OFFERING

Montague DeRose and Associates, LLC, Walnut Creek, California, has served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor has participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed and assisted the City in other matters relating to the planning, structuring, and sale of the Bonds. The Municipal Advisor has not independently verified any of the data contained herein nor conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Bond Counsel, Co-Disclosure Counsel and Underwriters' Counsel will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the Escrow Securities and the cash held by the Escrow Agent to provide for the payment, when due, of the redemption price and interest with respect to (i) the 2013A/B/C Bonds to June 15, 2021, and (ii) the 2011-R1 Bonds to December 15, 2021, will be verified by _____ (the "Verification Agent"). The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds. See "PLAN OF REFUNDING" above.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to pay debt service on the Bonds, 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 Bonds and other documents and certificates in connection therewith.

CONTINUING DISCLOSURE

The City will covenant in separate undertakings each dated the date of issuance of the related series of Bonds, for the benefit of the holders and beneficial owners of the Bonds, 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 2020-21, which is due not later than March 27, 2022, 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”) maintained by the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with EMMA. 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 will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

On March 6, 2018, Moody’s Investors Service, Inc. (“Moody’s”) upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to “Aa1” from “Aa2.” The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City’s 2016-17 audited financial statements (“2016-17 CAFR”) on the City’s website. However, the 2016-17 CAFR was not posted on EMMA. The City subsequently filed the 2016-17 CAFR on EMMA.

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’s investor information website located at <https://sfcontroller.org/continuing-secondary-market-disclosure>.

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 Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Bonds. 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.spglobal.com; and Fitch at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. 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 may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

UNDERWRITING

2021-R1 Bonds. The City has entered into a purchase contract with _____, on behalf of itself, _____, _____ and _____ (collectively, the “Underwriters”) pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the 2021-R1 Bonds from the City at the purchase price of \$_____ (being the principal amount of the Bonds of \$_____, plus original issue premium of

\$_____ and less an Underwriters' discount of \$_____). The Underwriters are obligated under the purchase contract to purchase all of the 2021-R1 Bonds if any are purchased.

2021-R2 Bonds. Pursuant to the provisions of the Forward Delivery Bond Purchase Contract between the City and the Underwriters, the Underwriters have agreed, subject to certain conditions, to purchase the 2021-R2 Bonds from the City at a purchase price of \$_____ (reflecting the principal amount of the 2021-R2 Bonds, plus an original issue premium of \$_____, and less an underwriting discount of \$_____). The Underwriters will be obligated to purchase all of such 2021-R2 Bonds if any are purchased. The public offering prices may be changed, from time to time, by the Underwriters. Such 2021-R2 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing the 2021-R2 Bonds into investment trusts) at prices lower than such public offering prices.

The Forward Delivery Bond Purchase Contract sets forth the rights and obligations of the Underwriters with respect to the purchase of the 2021-R2 Bonds from the City. The Underwriters' obligation to purchase all of the 2021-R2 Bonds on the Final Settlement Date is predicated on the satisfaction of certain conditions set forth in the Forward Delivery Bond Purchase Contract, as described under "FORWARD DELIVERY OF 2021-R2 BONDS." If, on the Final Settlement Date, the conditions to the Underwriters' obligations are not met, the Underwriters will not be obligated to purchase the 2021-R2 Bonds.

The Forward Delivery Bond Purchase Contract provides that if, at any time prior to the Final Settlement Date of the 2021-R2 Bonds (and, in certain circumstances, thereafter), any event relating to or affecting the City shall occur as a result of which it is necessary, in the reasonable opinion of the Underwriters, to amend or supplement the Official Statement in order to make it not misleading, the City will cooperate in the prompt preparation and delivery to the Underwriters of a reasonable number of copies of an amendment or of supplement hereto and will cooperate in the distribution thereof.]

The Underwriters may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices shown on the inside cover of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

The following paragraphs have been provided by and are being included in this Official Statement at the request of the respective Underwriters. The City does not assume any responsibility for the accuracy or completeness of such statements or information.

[To come.]

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 purchasers or Registered Owners and beneficial owners of any of the Bonds.

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 A

The Resolution provides that the Bonds are payable from and secured by a voter-approved dedicated property tax levy on all taxable property in the City, and the City is empowered under the law to set such tax rate for the Bonds at the level needed to generate sufficient tax revenues to pay the debt service on the Bonds. Under the Resolution, the City is not obligated to pay the debt service from any other sources. This Appendix A provides information on the City's overall operations and finances with an emphasis on its General Fund and therefore includes information on revenues and other funds that are not pledged to the Bonds under the Resolution and are not available to pay debt service on the Bonds. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement. The information contained in this Appendix A contains certain financial information regarding the City's fiscal year 2019-20 are preliminary, unaudited and subject to completion of the City's auditing process. The City believes that such preliminary unaudited financial information is accurate but can give no assurance that the final audited financial results will not contain changes from the preliminary unaudited information presented herein. The City expects to finalize the fiscal year 2019-20 Comprehensive Annual Financial Report ("CAFR") in late February 2021 but can give no assurance that the CAFR will be completed by such time.

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix A to the Official Statement of the City 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 fiscal year 2019-20 figures contained in this Appendix A are preliminary, unaudited and subject to change until the City's CAFR is issued.

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.

Information concerning the City's finances that does not materially impact the availability of moneys deposited in the General Fund including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("PUC"), and other enterprise funds, or the expenditure of moneys from the General Fund, is generally not included or, if included, is not described in detail in this Appendix A.

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently 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.

[Remainder of Page Intentionally Left Blank]

RECENT DEVELOPMENTS

On February 12, 2021, the City Controller published its Fiscal Year 2020-21 sixth-month budget status report (“Sixth-Month Report”), providing City revenue and expenditure information as of December 31, 2020. The Sixth-Month Report projects a \$125.2 million year-end General Fund balance for the Fiscal Year 2020-21, an improvement of \$241 million from the Three-Month Report projections.

Citywide revenues are now projected to be \$18.3 million below the Final Adopted Budget, an improvement of \$113 million from the Three-Month Report. The improvement reflects better than expected property tax performance (\$147.6 million higher projection as compared to the Three-Month Report), the passage of Proposition I (which increased real property transfer tax rates) and increased activity in real property transfer tax (\$115.8 million higher projection as compared to the Three-Month Report). These increases were offset by continued underperformance in hotel taxes (\$55.0 million lower projection as compared to the Three-Month Report), sales taxes (\$31.0 million lower projection as compared to the Three-Month Report) and business taxes (\$59.4 million lower projection as compared to the Three-Month Report). The Six-Month Report reflects the continuing high levels of uncertainty relating to revenue projections.

It should be noted that Federal and state legislative and regulatory actions are significant factors in the revenue improvements in the Six-Month Report. For example, a state change in procedures governing allocation of property tax increment to redevelopment successor agencies, and pending state guidelines on the calculation of excess ERAF, are projected to increase property tax revenue retained in the City’s General Fund (an estimated additional \$56 million in fiscal year 2020-21, or \$43.1 million after baseline allocations).

The Sixth-Month Report does not reflect the numerous proposals pending at the Board of Supervisors to mitigate the economic and financial impact of the COVID-19 emergency, including but not limited to, measures to withdraw from the General Reserve to support the acquisition, creation and operation of affordable, social housing, a deferral to Fiscal Year 2021-22 of business tax registration fees, the proposed waiver of business registration and license fees for certain entities with less than \$25 million in gross receipts, among other initiatives. If adopted, these proposals would substantially reduce or eliminate the projected ending balance of the General Fund.

The Sixth-Month Report shows no additional deposits or withdrawals from reserves.

The Sixth-Month Report does not include any projections from the Federal stimulus bill, which includes a potential proposal to include \$350 billion to state and local governments across the United States.

The Controller is expected to publish an update to its Five-Year Report in or about March 2021, and the Nine-Month Fiscal Year 2020-21 budgetary projections is scheduled to be published in or about May 2021.

TABLE OF CONTENTS

	PAGE
APPENDIX A.....	1
RECENT DEVELOPMENTS.....	3
TABLE OF CONTENTS.....	4
PUBLIC HEALTH EMERGENCY – COVID-19.....	6
CITY GOVERNMENT.....	7
City Charter.....	7
Mayor.....	9
Board of Supervisors.....	9
Other Elected and Appointed City Officers.....	9
CITY BUDGET.....	11
Overview.....	11
Budget Process.....	13
Multi-Year Budgeting and Planning.....	14
Role of Controller in Budgetary Analysis and Projections.....	15
General Fund Results: Audited Financial Statements.....	15
COVID Response and Economic Loss Reserve.....	18
Rainy Day Reserve.....	18
Budget Stabilization Reserve.....	19
General Reserve.....	19
Budget Savings Incentive Reserve.....	20
Salaries, Benefits and Litigation Reserves.....	20
Operating Cash Reserve.....	20
Five-Year Financial Plan.....	22
Final Adopted Budget for Fiscal Years 2020-21 and 2021-22.....	25
Other Budget Updates: Three-Month Budget Status Report.....	25
BUDGETARY RISKS.....	27
Threat of Extended Recession.....	27
Commuting Pattern Changes.....	27
COVID-19 Pandemic.....	27
Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E).....	28
Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances.....	28
Impact of the State of California Budget on Local Finances.....	30
Impact of Federal Government on Local Finances.....	31
THE SUCCESSOR AGENCY.....	32
GENERAL FUND REVENUES.....	33
PROPERTY TAXATION.....	33
Property Taxation System – General.....	33
Assessed Valuations, Tax Rates and Tax Delinquencies.....	33
Tax Levy and Collection.....	37
Taxation of State-Assessed Utility Property.....	40
OTHER CITY TAX REVENUES.....	40
Business Taxes.....	41
Transient Occupancy Tax (Hotel Tax).....	43
Real Property Transfer Tax.....	44

Sales and Use Tax	45
Other Local Taxes	47
INTERGOVERNMENTAL REVENUES.....	48
State Subventions Based on Taxes	48
CITY GENERAL FUND PROGRAMS AND EXPENDITURES	50
General Fund Expenditures by Major Service Area	50
Voter-Mandated Spending Requirements.....	50
EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS.....	52
Labor Relations	52
San Francisco Employees’ Retirement System (“SFERS” or “Retirement System”)	55
Medical Benefits	62
Total City Employee Benefits Costs	67
INVESTMENT OF CITY FUNDS	68
CAPITAL FINANCING AND BONDS.....	70
Capital Plan	70
Tax-Supported Debt Service – City General Obligation Bonds	71
Authorized but Unissued City GO Bonds	73
Refunding General Obligation Bonds.....	74
General Fund Lease Obligations	76
Voter-Approved Lease Revenue Bonds	78
Board Authorized and Unissued Long-Term Certificates of Participation.....	80
Commercial Paper Program.....	81
Overlapping Debt.....	81
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES	83
Article XIII A of the California Constitution.....	83
Article XIII B of the California Constitution.....	84
Articles XIII C and XIII D of the California Constitution	84
Proposition 1A	85
Proposition 22.....	85
Proposition 26.....	86
Future Initiatives and Changes in Law	87
LEGAL MATTERS AND RISK MANAGEMENT.....	87
Pending Litigation	87
Ongoing Investigations	87
Risk Retention Program	89

PUBLIC HEALTH EMERGENCY – COVID-19

On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”) caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City and County of San Francisco (“City”). The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

As of February 15, 2021, there were over 33,300 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, stock markets in the United States and globally have been volatile.

The COVID-19 pandemic has materially adversely impacted the financial condition of the City. Existing and potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the City’s public health system, reductions in tourism and disruption of the regional and local economy, widespread business closures, and significantly higher levels of unemployment, with corresponding decreases in City revenues.

From time to time, all counties in the Bay Area (including the City) have implemented and revised shelter-in-place (“Shelter-in-Place”) emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State has announced similar Shelter-in-Place emergency orders effective for the entire State. The State and various counties, including the City have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators.

Most recently, in addition to the four-tier classification system, on December 3, 2020 the State announced a Regional Stay at Home Order, under which a county must enforce even stricter rules if hospital intensive care unit capacity drops below 15%. The City is currently subject to those stricter rules. As of December 16, 2020 the Bay Area’s ICU capacity had fallen below 15% and triggered the State of California’s Regional Stay Home order. On December 17, 2020 the City announced a public health order placing a mandatory quarantine of 10 days on anyone traveling, moving, or returning to San Francisco from outside the Bay Area. Limited exceptions apply to people who are traveling for certain critical activities. The order also strongly discourages any non-essential travel within the 10-county Bay Area region. On January 25, 2021, the City announced plans to reopen certain businesses and activities in response to the State lifting the Bay Area Regional Stay at Home Order. Future updates to the Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

When the Mayor declared a state of emergency in February 2020, the City’s Emergency Operations Center was activated. The City’s response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has established multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that

defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. The City estimates that emergency response expenditures relating to the COVID-19 Emergency were approximately \$521.8 million across all funds and departments during fiscal year 2019-20 alone. Federal sources, including Federal Emergency Management Agency (“FEMA”) reimbursements and Coronavirus Aid, Relief, and Economic Security (“CARES”) Act allocations, substantially offset the majority of emergency costs during fiscal year 2019-20. The final adopted budget for fiscal years 2020-21 and 2021-22 reflects the assumption that \$82.1 million of CARES Act allocations to the General Fund will be available to support response expenditures in fiscal year 2020-21.

The economic impact of COVID-19 has drastically reduced the City’s tax revenues and may affect the City’s ability to sustain regular operations at current levels. As shown in Table A-4, after years of increases, fiscal year 2019-20 General Fund revenue declined by \$417.3 million, or 7.1%, from fiscal year 2018-19. These decreases occurred in nearly every category of revenue except intergovernmental revenue; most significantly, the City experienced the greatest decline in its “other local taxes,” which includes hotel and sales taxes. Another significant decline was in property tax revenue, which decline by \$173.0 million from fiscal year 2018-19 due to the recognition of three years’ excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in fiscal year 2018-19 compared to just one year in fiscal year 2019-20. See “PROPERTY TAXATION – “Tax Levy and Collection” for additional detail.

The Final Adopted Budget for Fiscal Years 2020-21 and 2021-22 approved by the Board of Supervisors on October 1, 2020 (the “Final Adopted Budget”) assumed \$755.6 million of COVID-19 response costs in fiscal year 2020-21, and none in fiscal year 2021-22. Actual costs will ultimately depend on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees and may be offset by FEMA reimbursement for eligible costs. See “CITY BUDGET - Final Adopted Budget for Fiscal Years 2020-21 and 2021-22” herein.

On November 10, 2020, the Controller’s Office released the Three-Month Report. The report includes updated projections for Fiscal Years 2020-21 from the Final Adopted Budget, as well as updated estimates of Fiscal Year 2019-20 ending results, election results, and COVID-19 emergency response revenues and expenditures. See “CITY BUDGET – Other Budget Updates: Three-Month Budget Status Report.”

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, voters approved the current charter, which went into effect in most respects on July 1, 1996 (“Charter”).

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (“Board of Supervisors”), and a Mayor elected at large who serves as chief executive officer (“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 Mills 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 "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. SFO, the Port, the PUC (which includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency (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 enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the SFMTA, annually receive 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 at 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 was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading the City following the sudden passing of Mayor Lee. Mayor Breed previously 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.

At the election on November 3, 2020, voters voted on Supervisor seats with terms expiring in 2020 and 2021. Incumbents Aaron Peskin (District 3), Dean Preston (District 5), Hillary Ronen (District 9) and Ahsha Safai (District 11) retained their seats for another four years, while new Supervisors Connie Chan and Myrna Melgar joined the Board for District 1 and District 7, respectively.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Connie Chan, <i>District 1</i>	2021	2025
Catherine Stefani, <i>District 2</i>	2018	2023
Aaron Peskin, <i>District 3</i>	2015	2025
Gordon Mar, <i>District 4</i>	2019	2023
Dean Preston, <i>District 5</i>	2019	2025
Matt Haney, <i>District 6</i>	2019	2023
Myrna Melgar, <i>District 7</i>	2021	2025
Rafael Mandelman, <i>District 8</i>	2018	2023
Hillary Ronen, <i>District 9</i>	2017	2025
Shamann Walton, Board President, <i>District 10</i>	2019	2023
Ahsha Safai, <i>District 11</i>	2017	2025

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 2019. 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. On January 14, 2021, Mayor Breed nominated Assessor Carmen Chu to serve as San Francisco's City Administrator, which was confirmed by the Board on January 26, 2021. Ms. Chu served as Assessor-Recorder until February 1, 2021. On January 27, 2021, Mayor Breed announced that she will appoint Joaquín Torres as the next Assessor-Recorder. Mr. Torres was sworn in on February 8, 2021. The position of Assessor-Recorder is a citywide elected position, and the newly appointed Assessor-Recorder will have to run in the next election, which is currently scheduled for June 2022, to complete the current term. Prior to becoming the City's Assessor-Recorder, Mr. Torres served as the Director of the Office of Economic and Workforce Development.

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 2019. 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 SFMTA.

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 ten-year term as Controller in Spring 2018, 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. On January 12, 2021, Ms. Kelly announced her resignation as City Administrator, effective February 1, 2021. Ken Bukowski, the Deputy City Administrator, has served as Acting City Administrator. On January 14, 2021, Mayor Breed nominated Assessor Carmen Chu to serve as San Francisco's City Administrator, which was confirmed by the Board on January 26, 2021. Ms. Chu was sworn in as the City Administrator on February 2, 2021.

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.

The fiscal years 2020-21 and 2021-22 Final Adopted Budget was approved by the Board of Supervisors on September 20, 2020 and signed by Mayor Breed on October 1, 2020. Typically, the Final Adopted Budget is approved in August; however, due to the COVID-19 emergency, the fiscal years 2020-21 and 2021-22 budget process was delayed by two months under the Mayor's emergency powers.

The Final Adopted Budget for fiscal year 2020-21 appropriated annual revenues, fund balance, transfers and reserves of \$13.6 billion, of which the City's General Fund accounts for \$6.2 billion. The Final Adopted Budget for fiscal year 2021-22 appropriated revenues, fund balance, transfers and reserves of \$12.4 billion, of which \$5.8 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 2017-18 through 2019-20, and the Final Adopted Budget for fiscal years 2020-21 and 2021-22. 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 2020-21 proposed budget, see "CITY BUDGET - Final Adopted Budget for Fiscal Years 20-21 and 2021-22" herein.

Economic and tax revenue losses associated with the COVID-19 Emergency have been stark and immediate, and the COVID-19 Emergency may have further material adverse impacts on the projections and budget information provided in in this APPENDIX A. See "CITY BUDGET - Controller's Revenue Letter," and "GENERAL FUND REVENUES" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 Emergency on the City. See "BUDGETARY RISKS" for a discussion of factors that may affect the revenue and expenditure levels assumed in the Final Adopted Budget.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2017-18 through 2021-22
(000s)

	2017-18 Final Revised Budget	2018-19 Final Revised Budget	2019-20 Final Revised Budget (Draft) ⁶	2020-21 Original Budget ⁷	2021-22 Original Budget ⁷
Prior-Year Budgetary Fund Balance & Reserves	\$1,999,334	\$2,342,082	\$2,817,270	\$526,905	\$331,674
<u>Budgeted Revenues</u>					
Property Taxes ¹	\$1,557,000	\$2,142,727	\$1,956,008	\$2,019,600	\$1,976,900
Business Taxes	750,820	879,414	1,050,392	826,400	1,030,900
Other Local Taxes ²	1,112,570	1,053,390	1,144,376	657,990	924,130
Licenses, Permits and Franchises	29,964	30,794	30,361	23,175	23,688
Fines, Forfeitures and Penalties	4,579	3,131	3,131	2,338	3,088
Interest and Investment Earnings	18,615	20,323	69,579	23,490	16,530
Rents and Concessions	14,089	14,896	15,270	10,948	15,451
Grants and Subventions	965,549	1,072,205	1,234,987	1,380,693	1,029,486
Charges for Services	242,842	263,340	246,003	257,295	245,657
Other	40,130	29,712	31,712	25,254	24,325
Total Budgeted Revenues	\$4,736,158	\$5,509,932	\$5,781,819	\$5,227,184	\$5,290,154
Bond Proceeds & Repayment of Loans	\$110	\$87	-	-	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,316,870	\$1,390,266	\$1,493,240	\$1,448,004	\$1,419,535
Public Works, Transportation & Commerce	238,564	214,928	216,824	186,729	167,017
Human Welfare & Neighborhood Development	1,047,458	1,120,892	1,270,530	1,477,225	1,272,305
Community Health	832,663	967,113	1,065,051	1,152,275	1,004,399
Culture and Recreation	142,081	154,056	161,274	158,511	167,908
General Administration & Finance	259,916	290,274	332,296	363,650	367,768
General City Responsibilities ³	114,219	172,028	137,851	219,635	175,806
Total Expenditure Appropriations	\$3,951,771	\$4,309,557	\$4,677,066	\$5,006,029	\$4,574,738
Budgetary reserves and designations, net	-	-	\$34,721	\$149,000	\$874
Transfers In	\$232,032	\$239,056	\$190,642	\$447,095	\$182,537
Transfers Out ⁴	(1,010,203)	(1,468,068)	(1,157,312)	(1,046,155)	(1,228,753)
Net Transfers In/Out	(\$778,171)	(\$1,229,012)	(\$966,670)	(\$599,060)	(\$1,046,216)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	\$2,005,661	\$2,313,531	2,920,632	-	-
Variance of Actual vs. Budget	336,422	503,738	(139,127)	-	-
Total Actual Budgetary Fund Balance⁵	\$2,342,083	\$2,817,269	\$2,781,505	\$0	\$0

¹ The City's final budget for FY 2018-19 property tax included \$414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted \$185.0 million of "Excess Educational Revenue Augmentation Fund" (ERAF) revenue. The Budget appropriates Excess ERAF property tax funds in fiscal years 2020-21 and 2021-22 for ongoing purposes. Please see "Other Budget Updates - Controller's Revenue Letter" and "Property Tax" sections 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.

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 Fiscal year 2017-18 through fiscal year 2019-20 Final Revised Budget reflects prior year actual budgetary fund balance.

⁶ FY 2019-20 Final Revised Budget updated from FY 2019-20 CAFR. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund in FY2019-20. See reserve discussion under "CITY BUDGET" section.

⁷ FY 2020-21 and 2021-22 amounts represent the Final Adopted Budget, adopted on October 1, 2020.

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

Budget Process

The following paragraphs contain a description of the City's customary 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 Revenue Letter and other information from the Controller's 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, each year, 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 approves the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") typically 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 Annual Appropriation 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 Comprehensive Annual Financial Report ("CAFR") to reflect the year-end revenue and expenditure appropriations for that fiscal year.

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. In the most recent Final Adopted Budget for fiscal years 2020-21 and 2021-22, four departments adopted fixed budgets: MTA, PUC, AIR, and PRT. All other departments prepare balanced, rolling two-year budgets for Board approval.
2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan update, 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 15, 2021, for fiscal year 2021-22 through fiscal year 2025-26. The forecasts associated with such financial plan will be updated in March and May to reflect the projected impacts of COVID-19 on the City's finances. The next update of the City's Five-Year Financial Plan is expected to be submitted in March 2021. 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's 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. The Mayor and the Board approved legislation to temporarily suspend this policy. See "Controller's Revenue Letter" section for more details.
 - 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 are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budgeted revenues exceed a fiscal year's 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 volatile revenues. Given the City's projected revenue declines, the City is eligible to withdraw from these reserves and is not required to make any deposits. The Final Adopted Budget withdraws the maximum permissible amounts from the City's Rainy Day and Budget Stabilization Reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as the "Controller's Revenue Letter" section.

4. The City is required to submit labor agreements for all public employee unions to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. All labor agreements are closed for the budget year, fiscal year 2020-21.

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. If the Controller estimates revenue shortfalls that exceed applicable reserves and any other allowances for revenue shortfalls in the adopted City budget, upon receipt of such estimates, the Mayor is to inform the Board of Supervisors of actions to address this shortfall. The Board of Supervisors may adopt an ordinance to reflect the Mayor's proposal or alternative proposals in order to balance the budget.

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 first of these reports, the fiscal year 2020-21 Three Month Report (the "Three Month Report"), in November 2020 and issued the second of these reports, the fiscal year 2020-21 Six Month Report (the "Six Month Report") on February 12, 2021. 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.

General Fund Results: Audited Financial Statements

The City expects to issue the Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2019-20 in late February 2021. The fiscal year 2019-20 figures in this report are unaudited and subject to change until the final CAFR issuance. As of June 30, 2020, the General Fund fund balance available for appropriation in subsequent years was \$896.2 million (see Table A-4), which represents an \$83.4 million increase in available fund balance from the \$812.7 million available as of June 30, 2019. This increase resulted primarily from greater-than-budgeted property tax revenue and operating surpluses at the Department of Public Health, mostly offset by under-performance in business and other local tax revenues in fiscal year 2019-20.

The unaudited General Fund fund balance as of June 30, 2020 was \$2.7 billion (shown in Tables B-3 and B-4) using Generally Accepted Accounting Principles (“GAAP”), derived from unaudited revenues of \$5.5 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; unaudited General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2016 through June 30, 2020.

[Remainder of Page Intentionally Left Blank]

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of General Fund Fund Balances
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16	2016-17	2017-18	2018-19	2019-20 (Unaudited)
Restricted for rainy day (Economic Stabilization account) ¹	\$74,986	\$78,336	\$89,309	\$229,069	\$229,069
Restricted for rainy day (One-time Spending account) ^{2,6}	45,120	47,353	54,668	95,908	-
Committed for budget stabilization (citywide) ²	178,434	323,204	369,958	396,760	362,607
Committed for Recreation & Parks savings reserve ⁴	8,736	4,403	1,740	803	803
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$190,965	\$244,158	\$345,596	\$351,446	\$394,912
Assigned for appropriation carryforward	293,921	434,223	423,835	496,846	630,759
Assigned for budget savings incentive program (Citywide) ^{3,6}	58,907	67,450	73,650	86,979	-
Assigned for salaries and benefits ⁵	18,203	23,051	23,931	28,965	25,371
Total Fund Balance Not Available for Appropriation	\$869,272	\$1,222,178	\$1,382,687	\$1,686,776	\$1,643,521
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies ⁴	\$145,443	\$136,080	\$235,925	\$186,913	\$160,314
Assigned for subsequent year's budget	172,128	183,326	188,562	210,638	370,405
Unassigned for General Reserve ⁵	76,913	95,156	106,878	130,894	78,498
Unassigned - Budgeted for use second budget year	191,202	288,185	223,251	285,152	84
Unassigned - Contingency for second budget year ⁶	60,000	60,000	160,000	308,000	510,400
Unassigned - Available for future appropriation	11,872	14,409	44,779	8,897	18,283
Total Fund Balance Available for Appropriation	\$657,558	\$777,156	\$959,395	\$1,130,494	\$1,137,984
Total Fund Balance, Budget Basis	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270	\$2,781,505
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270	\$2,781,505
Unrealized gain or loss on investments	343	(1,197)	(20,602)	16,275	36,626
Nonspendable fund balance	522	525	1,512	1,259	1,274
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(36,008)	(38,469)	(25,495)	(23,793)	(20,655)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(56,709)	(83,757)	(68,958)	(87,794)	(139,590)
Inventories	-	-	-	-	33,212
Pre-paid lease revenue	(5,816)	(5,733)	(6,598)	(6,194)	(6,450)
Total Fund Balance, GAAP Basis	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023	\$2,685,922

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

¹ Additional information in Rainy Day Reserves section of Appendix A, following this table.

² Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

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

⁴ Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.

The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.

⁵ Additional information in General Reserves section of Appendix A, following this table.

⁶ Additional information in the COVID Response and Economic Loss Reserve 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 further as follows:

COVID Response and Economic Loss Reserve

The fiscal years 2020-21 and 2021-22 Final Adopted Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of \$507.4 million in fiscal year 2019-20, as shown as part of “Unassigned Contingency for Second Budget Year” line in Table A-3 above. The COVID Response and Economic Loss Reserve will be available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller has noted that the \$507.4 million total balance would be sufficient to offset some, but not all, of the budget risks identified in the Final Adopted Budget. See “CITY BUDGET - Controller’s Revenue Letter.”

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.

The fiscal year 2019-20 ending balance of the Rainy Day Economic Stabilization City Reserve was \$229.1 million, as shown in Table A-3. In the Five-Year Financial Plan and fiscal years 2020-21 and 2021-22 Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, \$114.5 million in fiscal year 2020-21 and \$57.3 million in fiscal year 2021-22. As a result, the balance of the reserve is expected to decline to \$57.3 million by the end of fiscal year 2021-22 and be fully depleted by the end of fiscal year 2022-23.

The Rainy Day One Time Reserve was consolidated into the COVID Response and Economic Loss Reserve at the end of fiscal year 2019-20 See “COVID Response and Economic Loss Reserve” above.

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 placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide 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 One-Time Reserve are available for capital and other one-time spending initiatives.

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 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.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One Time Reserve is \$362.6 million in fiscal year 2019-20. Because the City’s combined Rainy Day Economic Stabilization Reserve and Budget Stabilization Reserve exceeded 10% of General Fund revenues for fiscal year 2019-20, the Budget Stabilization Reserve balance was capped in fiscal year 2019-20 at \$307.8 million, with the remaining balance of \$54.9 million deposited in the Budget Stabilization One-Time Reserve.

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. 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 be drawn. No deposits are required in years when the City is eligible to withdraw.

In the Final Adopted Budget, the maximum permissible withdrawal is budgeted from this reserve, \$42.0 million in fiscal year 2020-21 and \$125.3 million in fiscal year 2021-22. Due to a larger than previously anticipated ending balance in Budget Stabilization Reserve in fiscal year 2019-20, the Five Year Financial Plan assumes maximum permissible withdrawals greater than budgeted: \$46.5 million in fiscal year 2020-21 and \$130.6 million in fiscal year 2021-22. The balance of the reserve is expected to decline to \$130.6 million by the end of fiscal year 2021-22 and be fully depleted by the end of fiscal year 2022-23.

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 in years when the City is eligible to withdraw from its economic stabilization reserves. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal year 2019-20, the City made a budgeted deposit of \$28.9 million to the General Reserve. The Mayor ultimately withdrew \$75.5 million to address fiscal year 2019-20 shortfalls as reported in the May 2020 Nine Month Report, and the Board appropriated \$2.2 million to support public safety expenditures during the year. As a result, the fiscal year 2019-20 ending balance of the General Reserve was \$78.5 million. As of the publication of the Five Year Financial Plan, in fiscal years 2020-21 and 2021-22, there are no anticipated deposits or withdrawals to the General Reserve.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the 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 2019-20, the Recreation and Parks Savings Reserve had a balance of \$0.8 million and the balance of the Citywide Budget Savings Incentive Reserve was moved into the COVID Response and Economic Loss Reserve. See “—COVID Response and Economic Loss Reserve” above.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through a 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 \$25.4 million as of fiscal year 2019-20), and the Litigation and Public Health Management Reserve (balance of \$136.5 million in Fiscal Year 2019-20).

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 published CAFRs through fiscal year 2018-19 and unaudited information for fiscal year 2019-20. Prior years audited financial statements can be obtained from the City Controller’s website <https://sfcontroller.org/comprehensive-annual-financial-report-cafr>. 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.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16	2016-17	2017-18	2018-19	2019-20 (Unaudited)
Revenues:					
Property Taxes ²	\$1,393,574	\$1,478,671	\$1,673,950	\$2,248,004	\$2,075,002
Business Taxes	659,086	700,536	897,076	917,811	822,154
Other Local Taxes ³	1,054,109	1,203,587	1,093,769	1,215,306	996,180
Licenses, Permits and Franchises	27,909	29,336	28,803	27,960	25,318
Fines, Forfeitures and Penalties	8,985	2,734	7,966	4,740	3,705
Interest and Investment Income	9,613	14,439	16,245	88,523	65,459
Rents and Concessions	46,553	15,352	14,533	14,460	9,816
Intergovernmental	900,820	932,576	983,809	1,069,349	1,183,341
Charges for Services	233,976	220,877	248,926	257,814	229,759
Other	22,291	38,679	24,478	46,254	62,218
Total Revenues	\$4,356,916	\$4,636,787	\$4,989,555	\$5,890,221	\$5,472,952
Expenditures:					
Public Protection	\$1,204,666	\$1,257,948	\$1,312,582	\$1,382,031	\$1,479,195
Public Works, Transportation & Commerce	136,762	166,285	223,830	202,988	203,350
Human Welfare and Neighborhood Development	853,924	956,478	999,048	1,071,309	1,252,865
Community Health	666,138	600,067	706,322	809,120	909,261
Culture and Recreation	124,515	139,368	142,215	152,250	155,164
General Administration & Finance	223,844	238,064	244,773	267,997	304,073
General City Responsibilities	114,663	121,444	110,812	144,808	129,941
Total Expenditures	\$3,324,512	\$3,479,654	\$3,739,582	\$4,030,503	\$4,433,849
Excess of Revenues over Expenditures	\$1,032,404	\$1,157,133	\$1,249,973	\$1,859,718	\$1,039,103
Other Financing Sources (Uses):					
Transfers In	\$209,494	\$140,272	\$112,228	\$104,338	\$87,618
Transfers Out	(962,343)	(857,629)	(1,010,785)	(1,468,971)	(1,157,822)
Other Financing Sources	4,411	1,765	-	-	-
Other Financing Uses	-	-	(178)	(3)	-
Total Other Financing Sources (Uses)	(\$748,438)	(\$715,592)	(\$898,735)	(\$1,364,636)	(\$1,070,204)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$283,966	\$441,541	\$351,238	\$495,082	(\$31,101)
Total Fund Balance at Beginning of Year	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023
Total Fund Balance at End of Year -- GAAP Basis	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023	\$2,685,922
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$249,238	\$273,827	\$286,143	\$326,582	\$395,776
-- Budget Basis	\$435,202	\$545,920	\$616,592	\$812,687	\$896,172

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 The City recognized \$548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see Property Tax section for more information about Excess ERAF.

³ Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes.

Sources: Comprehensive Annual Financial Report through FY 2018-19; Office of the Controller, City and County of San Francisco; FY2019-20 data is unaudited.

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. Charter Section 9.119 requires that by March 1 of each odd-numbered year, the Mayor submit a Plan to the Board. The City’s Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimated for the remaining four years of the most recently adopted Plan.

On January 15, 2021, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller’s Office issued the Plan for fiscal years 2021-22 through 2025-26 (“Five-Year Plan”), which projected cumulative annual shortfalls of \$411.1 million, \$242.1 million, \$323.7 million, \$413.3 and \$503.3 million, for fiscal years 2021-22 through 2025-26, respectively. The next update of the Five-Year Plan is expected to be submitted in March 2021.

The Five-Year Plan, which assumes a slower pace of re-opening of economic activity than the Final Adopted Budget, projects declines in fiscal year 2021-22 followed by growth in General Fund sources over the forecast period of 15.5% , composed of growth in local tax sources as the local economy recovers from the COVID-19 pandemic that largely recovers to pre-pandemic levels by the end of the plan period. Revenue growth is fully offset by projected expenditure increases of 23.7% 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 Plan projects growth in General Fund sources of \$963.4 million over the Plan period, and expenditure growth of \$1.47 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 2021-22 through 2025-26						
Projections as of January 15, 2021						
(\$ Millions)						
	2021-22	2022-23	2023-24	2024-25	2025-26	% of Uses for 2025-26
Sources - Increase / (Decrease):	(\$117.6)	\$268.5	\$487.2	\$732.1	\$963.4	
Uses:						
Baselines & Reserves	(\$54.4)	(\$157.7)	(\$242.1)	(\$293.2)	(\$354.6)	24.2%
Salaries & Benefits	(150.8)	(233.4)	(318.0)	(433.8)	(565.1)	38.5%
Citywide Operating Budget Costs	(21.4)	(8.2)	(94.2)	(219.4)	(304.8)	20.8%
Departmental Costs	(67.0)	(111.2)	(156.5)	(198.9)	(242.2)	16.5%
Total Uses - (Increase) / Decrease:	(\$293.6)	(\$510.5)	(\$810.8)	(\$1,145.3)	(\$1,466.7)	100.0%
Projected Cumulative Surplus / (Shortfall):	(\$411.3)	(\$242.0)	(\$323.6)	(\$413.2)	(\$503.3)	

The Five-Year Plan is a “base case” projection that makes the following key assumptions:

- **No major changes to service levels and number of employees:** The projection assumes no major changes to policies, service levels, or the number of employees from the Final Adopted Budget for fiscal years 2020-21 and 2021-22 budgeted levels unless specified below.

- Revenue losses and subsequent recovery from COVID-19 pandemic:** San Francisco’s economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism, all of which were impacted significantly by the COVID-19 pandemic. This report assumes that San Francisco will largely recover to prior peak revenue levels over the five-year period, though that recovery is delayed from the timeline assumed in the Final Adopted Budget. Revenue projections are based on the assumption that there is widespread vaccination by fall 2021, with mass gatherings returning to pre-COVID levels by summer 2022. While most revenues are expected to rebound to pre-pandemic levels by fiscal year 2025-26, further challenges around recovery for tourism, small businesses, and office work could cause revenue to grow more slowly than projected in this report.
- Full use of new revenue sources adopted by voters in November 2020 election:** The projections assume that Proposition I (increased transfer tax rates) continues to phase in in fiscal year 2021-22 and Proposition L (new tax on executive pay) goes into effect in fiscal year 2021-22 and fiscal year 2022-23, respectively. The report does not assume any new expenditures associated with these general tax increases although the Board of Supervisors has discussed but not appropriated funds for various purposes using these general tax proceeds. Such actions, if taken, would increase projected shortfalls accordingly. This projection also assumes implementation of Proposition F (overhaul of the business tax), which is expected to increase General Fund business tax in all years of the report, unlock \$149.0 million of General Fund one-time funds that were assumed in the Final Adopted Budget for fiscal year 2021-22, and unlock \$28.0 million in on-going funding in each remaining year of the report. Additionally, the projection assumes the implementation of two voter-approved November 2020 Propositions, which create new General Fund costs over the five-year period: Proposition B (Department of Sanitation and Streets) and Proposition D (Sherriff Oversight).
- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** This report assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters’ unions have closed memorandums of understanding (MOU) through fiscal year 2022-23 as a result of a recent amendment. Miscellaneous unions have closed MOUs through fiscal year 2021-22. This report does not assume the recession trigger in these MOUs is met, but will be reevaluated for future projection updates. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody’s SF Metropolitan Statistical Area CPI. This corresponds to 3.01% for fiscal year 2021-22, 2.88% for fiscal year 2022-23, 3.10% for fiscal year 2023-24, 3.11% for fiscal year 2024-25, and 2.98% for fiscal year 2025-26. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.
- Pension investment returns meet expectations, but do not trigger a supplemental COLA:** This report assumes a return on SFERS assets of 7.4%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.

- **Health insurance cost increases:** This projection assumes that the employer share of health insurance costs for active employees will increase by 5.5% in fiscal year 2021-22, and then 6% in each following year, for an average of 5.9% annually over the projection period. Retiree health costs are assumed to grow by 6% in fiscal year 2021-22, 5.3% in fiscal year 2022-23, and then 6.1% in each subsequent fiscal year, an average of 5.9% annually over the projection period.
- **Inflationary increase on non-personnel operating costs:** This projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of CPI. The projection reflects the Final Adopted Budget for fiscal year 2021-22, which did not include a cost-of-doing business increase for General Fund nonprofit contracts.
- **Ten-Year Capital Plan, Five-Year ICT Plan, and inflationary increases on equipment:** For capital, this report assumes the Final Adopted Budget for fiscal year 2021-22 funding levels, and assumes funding will increase by 10% annually thereafter with a significant increase in fiscal year 2024-25, in line with forthcoming recommendations in the City’s upcoming Fiscal Years 2022-31 Ten-Year Capital Plan. The IT investment projection similarly assumes partial funding of projects in the City’s Information and Communications Technology (ICT) Plan in fiscal year 2021-22, in accordance with the most recent budget, and 10% annual growth in the following four years, with a significant funding increase in fiscal year 2024-25. For equipment, this report assumes the budgeted level of funding in fiscal year 2021-22, and annual growth of 10% in the following four years.
- **Deposits and withdrawals from reserves:** The projection makes several key assumptions regarding deposits to and withdrawals from major General Fund reserves. In fiscal years 2021-22 and 2022-23, \$188 million from the Economic Stabilization Reserve is assumed to be withdrawn in each year, exhausting the reserve balance by the end of fiscal year 2022-23. The report assumes that deposits to this reserve are only made in the final two years of the five-year period. In order to remain consistent with the financial policies adopted by the Board of Supervisors in April 2010 and codified in Administrative Code Section 10.60(b), no funds are projected to be withdrawn from the General Reserve in the five-year period, and deposits to the General Reserve are projected to begin in fiscal year 2022-23. No withdrawal from the COVID Response and Economic Loss Reserve is assumed in this projection.
- **Property tax shifts:** In the past two fiscal years, the City’s General Fund received “Excess ERAF” property tax allocations, after distributions from the Educational Revenue Augmentation Fund (ERAF) fulfilled all other statutory distributions to other local taxing entities. Legislation adopted by the Mayor and the Board of Supervisors stipulates that at least 50% of these revenues should be dedicated to on one-time affordable housing production and preservation, and 50% to be made available for other purposes. The Final Adopted Budget for fiscal years 2020-21 and 2021-22 budget does not allocate spending in accordance with this legislation, in order to most effectively allocate this resource to support priority homelessness and mental health programming in the face of the City’s sharp revenue loss. This report assumes the City will continue to receive Excess ERAF revenues in all years of the report according to current state law. However, the report does not assume expenditure allocations in accordance with the previous legislation referenced above, and primarily reserves the use of these revenues to solve for projected revenue losses. Should the original legislation be enforced in the coming five years, the General Fund deficit would increase commensurately.

- **COVID-19 Response:** The Base Case assumes the City will sustain its current level of General Fund support for public health and human services programs in response to the COVID-19 pandemic in fiscal year 2021-22. These projections do not incorporate any estimates of additional state or federal revenue to support the response. Starting in fiscal year 2022-23, no further costs are assumed given the uncertainty of the duration of the pandemic.

The Charter requires that each year's budget be balanced. To close the \$643.2 million gap in fiscal years 2021-22 and 2022-23, in December 2020 based on preliminary projections, the Mayor instructed departments to reduce on-going General Fund support by 7.5% for their proposed fiscal years 2021-22 and 2022-23 budgets. Departments were also instructed to propose a 2.5% on-going contingency reduction that may be utilized in the event that fiscal conditions worsen.

Final Adopted Budget for Fiscal Years 2020-21 and 2021-22

On October 1, 2020, the Mayor signed the Final Adopted Budget, which was approved by the Board of Supervisors on September 29, 2020.

The Final Adopted budget totals \$13.6 billion for fiscal year 2020-21 and \$12.4 billion for fiscal year 2021-22, representing a year over year increase of \$1.3 billion in fiscal year 2020-21 and year over year decrease of \$1.2 billion in fiscal year 2021-22. The General Fund portion is \$6.2 billion in fiscal year 2020-21 and \$5.8 billion in fiscal year 2021-22, representing a year over year increase of \$58.3 million in fiscal year 2020-21 and decrease of \$396.8 million in fiscal year 2021-22. There are 31,778 funded full-time positions in fiscal year 2020-21 and 31,749 in fiscal year 2021-22, representing year-over-year increases of 6 and 29 positions, respectively.

Other Budget Updates: Three-Month Budget Status Report

The Controller's Office provides periodic budget status updates to the City's policy makers during each fiscal year, as required by the City Charter Section 3.105. Given the level of uncertainty in the City's revenues and expenditures due to the ongoing COVID-19 pandemic, the City is providing more frequent budgetary monitoring reports than in prior years, including the addition of the Three-Month Report. The Three-Month Report provides updated projected results for Fiscal Year 2020-21 as compared to the City's Final Adopted Budget. The next budget status update, the Six-Month Report, was released on February 12, 2021. See "RECENT DEVELOPMENTS" for additional information.

The Three-Month Report indicates a projected General Fund net shortfall of \$115.9 million in Fiscal Year 2020-21 (as compared to the Final Adopted Budget). As set forth in the Table Aelow, the shortfall is primarily due to lower-than-expected revenues as a result of a slower economic recovery than was anticipated in the Final Adopted Budget. The revenue shortfall is partially offset by a higher-than-projected ending balance available from fiscal Year 2019-20.

Projected revenues in the Final Adopted Budget assumed business re-openings would begin in late summer 2020, with return to full office occupancy by summer 2021. The Three-Month Report assumes a slower pace of re-opening of economic activity than the Final Adopted Budget. In addition, the Report assumes that a COVID-19 vaccine becomes available in spring 2021, with widespread vaccinations by December 2021. It also assumes local mass gatherings reach pre-COVID levels by summer 2022 but the return of travel and tourism occurs more slowly than previously projected. The Three-Month Report

projections also reflect additional data concerning actual revenue receipts than were available at the time of adoption of the Final Adopted Budget, as well as fiscal year 2019-20 pre-audit results.

TABLE A-6

Three-Month Report
Fiscal Year 2020-21 Projected General Fund Variances to Final Adopted Budget (\$ million)

Changes from Final Adopted Budget	
Fiscal Year 2019-20 estimated fund balance (unaudited)	\$21.3
Citywide Revenue	(143.5)
Baseline Offsets	46.4
Departmental Revenues and Expenditures	(51.3)
November 2020 Local Ballot Measures	11.3
Surplus / (Shortfall)	(\$115.9)

The Mayor’s Office is working on a rebalancing plan to close this \$115.9 million shortfall. The rebalancing plan will be part of the Six-Month Report released in February 2021. For additional information on the Six-Month Report see “RECENT DEVELOPMENTS.”

The following is a discussion of certain elements of the revised fiscal year 2020-21 projections in the Three-Month Report:

- The City currently estimates a fiscal Year 2019-20 ending balance of approximately \$391.8 million, or \$21.3 million above the \$370.5 million assumed in the Final Adopted Budget, driven by higher than previously projected property tax collections, interest earnings, and Public Health revenue.
- Citywide General Fund revenue is projected to decline from the Final Adopted Budget by \$143.5 million. The decrease is largely the result of a slower re-opening scenario than previously assumed and greater telecommuting assumptions in the projection period. Projected property tax revenues are projected to exceed projections in the Final Adopted Budget (due largely to a shift in value and timing of assessment appeal-related refunds). However, most other revenue sources, including business, hotel, parking, and sales taxes, are expected to be lower than projected in the Final Adopted Budget.
- Voters have adopted many measures that require General Fund contributions to various purposes, the majority of which are indexed to the City’s discretionary revenues. Required contributions from the General Fund to voter-approved purposes are currently projected to decline from the Final Adopted Budget by \$46.4 million as a result of the projected discretionary revenue shortfall.
- The projected \$51.3 million projected net operating shortfall in departments is comprised of a \$38.9 million shortfall in revenue and \$12.4 million in increased expenses. The largest revenue shortfalls are in City Planning permit revenue (\$19.4 million) and Recreation and Park revenue (\$12.4 million). Personnel overspending is projected in both the Sheriff’s and Fire departments.

- Local measures approved in the November 3, 2020 election are projected to result in a net surplus of \$11.3 million due an increase in property transfer tax rates not assumed in the Final Adopted Budget, slightly offset by increased expenses to strengthen oversight of the Sheriff’s Department.

Periodic budget status updates are provided by the Controller in accordance with reporting requirements of the Charter. The Three-Month Report, added this year in light of the heightened uncertainty, noted: “The level of uncertainty regarding city revenues and expenditures remains extraordinarily high, driven by the economic and financial impacts of the public health emergency.” The City can give no assurances that the COVID-19 pandemic will not result in further adverse impacts on the City’s financial condition (including continuing reductions in revenues and/or increases in expenses) in fiscal year 2020-21 and future fiscal years.

BUDGETARY RISKS

Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State’s unemployment rate hit a record high of 16.4% in April 2020 and has decreased to 8.2% as of November 2020. In the “Great Recession” that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home emergency orders.

Commuting Pattern Changes

The sudden and sharp increase in telecommuting creates revenue risk. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Extended periods of working at-home during the emergency may affect how much of a business’s payroll expense and gross receipts is apportionable to San Francisco. Some of the City’s largest private employers have instructed their employees to telecommute whenever possible, as evidenced by BART ridership declining almost 90% from its pre-COVID-19 baseline ridership. Businesses owe payroll tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting will result in reduced business taxes. Although some San Francisco residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

COVID-19 Pandemic

The COVID-19 emergency is ongoing, and the City’s response will likely cost hundreds of millions of dollars, depending on the ultimate duration and severity of the pandemic. The City can give no assurance of the

duration or severity of the COVID-19 pandemic, and there is no assurance that its effects will not impose more significant financial and operating effects on the City before mitigation measures are successfully implemented. For additional information see “RECENT EVENTS – PUBLIC HEALTH EMERGENCY – COVID-19.”

Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E)

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was 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.

On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E’s Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy. As part of its restructuring, on June 9, PG&E announced that it would be relocating its business headquarters, currently located at 245 Market Street and 77 Beale Street in San Francisco, to Oakland. The relocation is scheduled to begin June 2022.

During the pendency of the PG&E bankruptcy, on September 6, 2019 the City submitted a non-binding indication of interest (“IOI”) to PG&E and PG&E Corporation to purchase substantially all of PG&E’s electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City (“Target Assets”) for a purchase price of \$2.5 billion (such transaction, the “Proposed Transaction”). In a letter dated October 7, 2019, PG&E declined the City’s offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City’s Board of Supervisors and the SFPUC’s Commission conditionally authorized the sale of up to \$3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and the Commission. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City’s general fund would be available to pay for system operations, or bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E’s assets and expects to continue its pursuit with the newly reorganized entity.

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) (“Upland Decision”) interpreted Article XIII C, 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 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”), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless 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 the California Business Properties Association and the other defendants/respondents appealed the decision in the litigation concerning November Proposition C.

On June 30, 2020, the Court of Appeal upheld the decision of the trial court in the litigation concerning November Proposition C. The Howard Jarvis Taxpayers Association sought review in the California Supreme Court of this decision. Briefing in the appeal concerning June 2018’s Proposition C is not yet complete, and no oral argument has been scheduled.

On September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association of the Court of Appeal’s ruling in the City’s favor regarding November Proposition C. As noted above, cases relating to June Proposition C and Proposition G are still pending at the Court of Appeal. These cases will proceed through the judicial process.

The Final Adopted Budget for fiscal years 2020-21 and 2021-22 appropriates \$931 million of the November Proposition C funds for various voter-adopted purposes (of which \$492 million has been collected to date). With voters’ adoption of Proposition F on the November 2020 ballot, the City is able to unlock these funds if legal proceedings continue or conclude against the City. Of this total, the Final Adopted Budget assumes repayment to the General Fund of \$196 million in advances made in previous years to begin to implement these programs while the case proceeded. As a result of the above-mentioned court decision, these funds are now free of legal risk on the voter threshold issue.

The Final Adopted Budget also appropriates \$568 million of funds resulting from the contested commercial rents tax measure, and programs those funds for voter-adopted childcare expenditures. Of this total, \$135 million supports the General Fund budget. These funds were at risk and could only be released following a final court ruling the City’s favor or voter adoption of the 2020 Proposition F on the November ballot. Voters approve the 2020 Proposition F. See “CITY BUDGET – Role of Controller in

Budgetary Analysis and Projections” for the process in the event revenue shortfalls exceed applicable reserves and any other allowances for revenue shortfalls in the Final Adopted Budget. Parcel taxes collected for teacher compensation were similarly reserved until the legal proceedings conclude, although the adoption of Proposition J on the November 2020 ballot by a two-thirds vote removed the legal risks on the voter threshold issue going forward and will allow the appropriation of future funds collected under the new tax.

The November 2020 ballot included three major revenue initiatives, which significantly impact local finance. All three measures passed.

- A business tax reform measure, which would increase the gross receipts tax on certain taxpayers and impose new replacement general taxes on the gross receipts from the lease of certain commercial space or larger businesses if two contested 2018 (June Proposition C and November Proposition C) business tax measures are struck down. This measure is assumed in the Final Adopted Budget such that \$330.8 million of new revenue transfers into the General Fund are assumed, to repay prior year General Fund advances made for these purposes. As discussed above, on September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association regarding November Proposition C, Homeless Gross Receipts Tax, allowing the lower court decisions in the City’s favor to stand. As a result, \$196 million of the \$330.8 million General Fund advances assumed in the budget could be realized without regard to passage of the ballot measure.
- A transfer tax rate increase, doubling the rates on real property transfers over \$10 million. The Controller’s Office estimates the measure could increase transfer tax revenue between \$13.0 million to \$346.0 million. This measure was not assumed in the Final Adopted Budget, but it is assumed in the Three-Month Report and Five Year Financial Plan.
- An additional business tax on businesses with disproportionate executive pay, which the Controller’s Office estimates could increase the City’s revenue by \$60 to \$140 million annually. This measure is not assumed in the Final Adopted Budget, but it is assumed in the Five Year Financial Plan.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 13% of the General Fund revenues appropriated in the Final Adopted Budget for fiscal years 2020-21 and 2021-22, 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 January 8, 2021, the Governor released the State of California’s proposed budget for fiscal year 2021-22. The State projects its General Fund budget to be \$164.5 billion, \$8.6 billion (5.5 percent) more than fiscal year 2020-21. Due to previously unanticipated strength in the financial markets, Personal Income Tax – the State’s largest General Fund source – is expected to increase by \$5.2 billion in fiscal year 2021-22 over the prior year. This strength is partially offset by expected losses in nearly every other General Fund source.

The state's fiscal year 2020-21 budget requires the State Controller's Office (SCO), which regularly audits all counties' allocations of property tax revenue, to issue guidelines for counties to use in the calculation and allocation of ERAF by the end of December 2020, applicable to fiscal years 2019-20 and forward only. As of the writing of this document, those guidelines have not been issued. Current fiscal year revenues have been budgeted and projected based on existing law. Should the guidelines reflect a more liberal interpretation, the City could receive additional Excess ERAF in the tens of millions of dollars. Future year excess ERAF revenues continue to be subject to state legislative changes, which the City continues to monitor.

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.

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 General Fund and hospitals, which are supported by the General Fund, collectively receive over \$1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the state's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

Under the CARES Act, the United States Treasury department distributed \$150 billion to state and local governments within 30 days of enactment under a population-based formula. The statute limits the use of funds to COVID-19 expense reimbursement rather than to offset anticipated state tax revenue losses. The City has received a direct allocation of \$153.8 million from this Coronavirus Relief Fund, which was used to cover COVID-19-related medical, public health, economic support, and other emergency response costs. In addition, the State has allocated \$20.7 million of its allocation to the City, for the same purposes. The federal government also provides significant funding for COVID-19 expenses through FEMA.

On December 27, 2020, the president signed H.R. 133 Consolidated Appropriations Act 2021, funding the federal government for the rest of the federal fiscal year 2020-21 and providing additional COVID relief for individuals, businesses, and health care providers affected by the COVID pandemic. The legislation addresses key priorities for public health systems, including extension of Medicaid DSH cuts to fiscal year 2023-24 and an additional \$3 billion in Provider Relief Funding (PRF) created in the CARES Act. In addition, the Center for Medicare and Medicaid Services granted a one-year extension of California's Section 1115(a) Medicaid waiver, which was set to expire on December 31, 2020. The bill did not include additional support for state and local government.

With the inauguration of a new administration, another COVID-related relief package is likely to be passed in the spring of 2021. The \$1.9 trillion relief package presented in January 2021 was expected to include \$400 billion in funding to increase vaccines, testing and reopen schools, as well as direct relief to

individuals through stimulus payments and increased unemployment benefits, and \$350 billion in emergency funding for state, local and tribal governments, more than double the \$150 billion provided in the CARES Act. In addition, the bill is expected to include financial assistance to families and individuals by increasing nutritional assistance funding, as well as \$20 billion for public transit. This funding is not currently assumed in the City's budget, budget status reports, planning documents, or projections, and the City can make no assurance that Congress will approve this proposal, including the level of aid for state and local governments.

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, certain 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 Hunters Point 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 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 XIII A 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. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects 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-7 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. It is possible that the COVID-19 Emergency will result in a reduction in property values in the City, and such reduction could be material.

The total tax rate shown in Table A-7 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), San Francisco Community College District (SFCCD), Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-33: “Statement of Direct and Overlapping Debt and Long-Term Obligations.” 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 Office of Community Investment and Infrastructure (OCII), the successor agency to the San Francisco Redevelopment Agency. 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, reducing 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. OCII received \$155.5 million of property tax increment in fiscal year 2019-20 for recognized obligations, diverting about \$86.5 million that would have otherwise been apportioned to the City's General Fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.05% for fiscal year 2019-20. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 39 for the 6-month period of July 1 to December 31, 2020. For fiscal year 2019-20 a total of 99 trustee deeds were recorded compared to 86 for the fiscal year 2018-19, 111 for fiscal year 2017-18 and 92 for fiscal year 2016-17. It is possible that the COVID-19 Emergency will result in increased foreclosures in the City, and the effect of such increased foreclosures could be material.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2020-21
(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
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
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	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	301,409,161 ⁴	7.2%	1.198	3,612,279	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 2019-20 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 2020-21 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

⁴ Based on initial assessed valuations for fiscal year 2020-21

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 2020-21, the total net assessed valuation of taxable property within the City was \$301.4 billion. Of this total, \$283.9 billion (94.2%) represents secured valuations and \$17.5 billion (5.8%) 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 the 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 XIII A 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. During the severe economic downturn of fiscal years 2009-10 and 2010-11, partial reductions of up to approximately 30% of the assessed valuations appealed were 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 the period following the Great Recession, assessment appeals increased significantly. In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of \$2.35 billion, compared to 18,110 temporary reductions with a value of \$1.96 billion granted in fiscal year 2009-10. As described further below, the number of new assessment appeals filed as of September 30, 2020, which represents less than 1.0% of all parcels in San Francisco, was almost double the number of new assessment appeals filed during the same period last year.

It is possible that the current global and national recession and economic dislocation resulting from the COVID-19 Emergency will result in declines in real estate values in the City, and such declines could be material.

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 2019-20 are listed in Table A-8 below.

[Remainder of Page Intentionally Left Blank]

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2019-20
(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
2018-19	30,071
2019-20	17,900

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

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in a cumulative assessed value reduction of \$377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately \$4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of \$244.01 million (equating to a reduction of approximately \$2.84 million in General Fund taxes). Of the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the City and County of San Francisco. 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 is between July 2nd and September 15th. If the 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely.

As of June 30, 2020, the total number of open appeals before the AAB was 1,166. During the fiscal year 2019-20 there were 1,417 new applications filed. The difference between the current assessed value and the taxpayer’s opinion of values for all the open applications is \$15.7 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 \$185.7 million would result. The General Fund’s portion of that potential \$185.7 million would be approximately \$87.4 million. Nearly all of the appeal applications filed during fiscal year 2020-21 challenge the assessed value of property for fiscal year 2020-21, however, because the assessed value of secured property for fiscal year 2020-21 is determined by the Assessor as of the January 1, 2020 lien date, which predates the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from fiscal year 2020-21 appeal applications. However, the effects of the pandemic and ensuing recession will likely increase the number of future appeals. Additionally, under Proposition 8, adopted by California voters in 1978, the Assessor could on its own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again exceeds the maximum assessed value calculated under Proposition 13.

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 that are based on historical results as to 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 BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2019-20 was \$3.3 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 budgeted to receive \$2.0 billion in the General Fund and \$235.1 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive approximately \$199.8 million and \$37.4 million, respectively, and the local ERAF was estimated to receive \$401.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency was estimated to receive approximately \$171.3 million. The remaining portion will be 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. The City's General Fund is allocated about 47.1% of total property tax revenue before adjusting for the VLF backfill shift and excess ERAF.

General Fund property tax revenues in fiscal year 2019-20 were \$2.1 billion, representing a decrease of \$173.0 million (7.7%) over fiscal year 2018-19 actual revenue. The decrease is due to recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in fiscal year 2018-19 compared to just one year in fiscal year 2019-20. The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in "Impact of the State of California Budget on Local Finances." Tables B-2 and B-4 set forth a history of budgeted and actual property tax revenues.

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 connection with the COVID-19 Emergency, on May 5, 2020 a resolution was approved by the San Francisco Board of Supervisors setting the property tax deadline to May 15, 2020. Property owners unable to pay their property taxes by this deadline due to the COVID-19 crisis were able to request a penalty waiver. As a result of the Governor's Executive Order N-61-20, if a property owner is approved for a waiver and is unable to pay property taxes for a primary residence or small business due to COVID-19, an extension until May 6, 2021 will be granted without any late payment penalties.

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-9. 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.

[Remainder of Page Intentionally Left Blank]

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2019-20
(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
2018-19	29,126
2019-20	31,968

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, 2019 are shown in Table A-10. 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-10

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2020

Assessee ¹	Location	Parcel Number	Type	Total Assessed Value ²	% Basis of Levy ³
SUTTER BAY HOSPITALS ⁴	1101 - 1133 VAN NESS AVE	0695 007	HOSPITAL	\$2,692,380,427	0.891%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	\$1,784,578,020	0.591%
GSW ARENA LLC	1 WARRIORS WAY	8722 021	ENTERTAINMENT COMP	\$1,356,965,686	0.449%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	\$1,059,562,654	0.351%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	\$1,025,109,898	0.339%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	\$868,013,216	0.287%
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	\$835,809,683	0.277%
SHR GROUP LLC	301 - 345 POWELL ST	0307 001	HOTEL	\$765,686,754	0.254%
SUTTER BAY HOSPITALS ⁴	3615 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	HOSPITAL	\$762,407,195	0.252%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	\$717,267,750	0.237%
				\$11,867,781,283	3.930%

¹ Certain parcels fall within RDA project areas.

² Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures. Values reflect information as of January 1, 2020.

³ 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).

⁴ 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 2020-21 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.

See Table A-11 below for a summary of revenue source as a percentage of total General Fund revenue based on unaudited financials for fiscal year 2019-20 and the Final Adopted Budget for fiscal year 2020-21.

TABLE A-11

Revenues	FY 2019-20		FY 2020-21	
	Unaudited		Final Adopted Budget	
Property Taxes	\$2,075,002	37.9%	\$2,019,600	38.6%
Business Taxes	822,154	15.0%	826,400	15.8%
Other Local Taxes	996,180	18.2%	657,990	12.6%
Licenses, Permits and Franchises	25,318	0.5%	23,175	0.4%
Fines, Forfeitures and Penalties	3,705	0.1%	2,338	0.0%
Interest and Investment Income	65,459	1.2%	23,490	0.4%
Rents and Concessions	9,816	0.2%	10,948	0.2%
Intergovernmental	1,183,341	21.6%	1,380,693	26.4%
Charges for Services	229,759	4.2%	257,295	4.9%
Other	62,218	1.1%	25,254	0.5%
Total Revenues	\$5,472,952	100.0%	\$5,227,184	100.0%

Note: Other local taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes.

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 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 increased 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 applies 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 2019-20 was \$824.7 million (all funds), representing an decrease of \$94.9 million (10.3%) from fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is \$828.9 million, an increase of \$4.2 million (0.5%) from the fiscal year 2019-20 unaudited figures. The fiscal year 2021-22 Final Adopted Budget is \$1,033.4 million, an increase of \$204.5 million (24.7%) from the fiscal year 2020-21 Final Adopted Budget. The vast majority of the City’s business tax is deposited in the General Fund; approximately \$2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 (June Proposition C and November Proposition C), which are special purpose taxes

Revenues from business tax and registration fees follow economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency has significantly affected the business tax revenue base. The unemployment rate in the City rose to 12.6% in April 2020 (compared to 2.9% in January 2020) and remained at 12.5% in June before dropping to 5.7% in November 2020, the most recent data available. At the end of March 2020, weekly initial unemployment claims peaked at about 27,000. Though weekly initial claims fell in the following weeks, since early May 2020, initial claims have been around 5,000 weekly, more than five times higher than the average number of initial claims in the two months before the March 17, 2020 shelter-in-place order. Since March 2020, thousands of businesses have closed temporarily, some permanently.

The Final Adopted Budget assumes underlying economic growth of -5% in tax year 2020 and +6% in tax year 2021, reflecting a quick recovery of employment lost to public health mandates. The projection also takes into account the Mayor’s policies to provide relief to businesses during the pandemic through: (1) the deferral of business registration taxes owed in fiscal year 2019-20 to fiscal year 2020-21 and (2) the deferral of business tax payments for small businesses throughout the tax period to February 2021. In addition, Proposition F adopted by voters in November 2020 is assumed to generate \$4.0 million of business tax in fiscal year 2020-21 and \$23.0 million in fiscal year 2021-22 as intended.

Additionally, the sudden and sharp increase in telecommuting creates revenue risk. Approximately half of workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. Extended periods of working at-home during the emergency may affect how much of a business’s payroll expense and gross receipts is apportionable to San Francisco. Some of the City’s largest private employers have instructed their employees to telecommute whenever possible, as evidenced by BART ridership declining almost 90% from its pre-COVID-19 baseline ridership. Businesses owe payroll tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting will result in reduced business taxes. Although some San Francisco residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

In the medium- to long-term, permanent relocations out of the San Francisco area could have a larger impact on the City’s tax base. The Final Adopted Budget assumes that in calendar year 2020, 50% of workers in the Professional Services, Financial Services, and Information sectors who live outside of San Francisco now work from home instead of commuting into the City, and that in calendar year 2021, 25% telecommute. In fiscal year 2020-21, these assumptions about telecommuting reduce payroll tax revenue by 10.2% and gross receipts tax revenue by 7.7%. In fiscal year 2021-22, these assumptions reduce payroll tax and gross receipts tax revenues by 2.9% and 2.2%, respectively. See “CITY BUDGET - Other Budget Updates: Three-Month Budget Status Report and Five-Year Financial Plan” for a summary of the most recent projections.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds
Fiscal Years 2016-17 through 2021-22
(000s)

Fiscal Year ¹	Revenue	Change	
2016-17	\$702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19	919,552	20,410	2.3%
2019-20	824,671	(94,881)	-10.3%
2020-21 <i>budgeted</i> ²	828,900	4,229	0.5%
2021-22 <i>budgeted</i> ²	1,033,400	204,500	24.7%

¹ Figures for fiscal years 2016-17 through 2018-19 are actuals and figures for fiscal year 2019-20 are unaudited. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax.

² Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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 in fiscal year 2019-20 ended at \$281.6 (all funds) million, a decrease of \$132.7 million (32.0%) from fiscal year 2018-19. The Final Adopted Budget for fiscal year 2020-21 reflects hotel tax revenue of \$156.7 million, a decrease of \$125.0 million (44.4%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is \$266.0 million, an increase of \$109.3 million (69.8%) from the fiscal year 2020-21 proposed budget. 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-13 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately \$5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately \$28 to \$34 million of hotel tax is allocated for arts and cultural programs.

The significant decline in fiscal year 2020-21 revenue is due to the far-reaching impact of the pandemic on San Francisco's travel and hospitality industries. San Francisco's hotels are, on average, in the higher-priced tiers and rely on business travelers and tourists who arrive by air. Because of the COVID-19 pandemic, air travel is perceived as highly risky, and higher tier hotels are expected to be the slowest class of hotels to recover in this economic climate. Large gatherings and conferences, which normally drive up rates through compression pricing, remain prohibited in the City. As of July 2020, approximately 40% of San Francisco hotels remained closed, and occupancy rates for those that were open averaged 34.1%. Adjusted for room supply, the occupancy rate was 19.3%, an improvement from June's 16.0%, but still a dramatic reduction from July 2019 occupancy of 84.9%. The projected recovery of hotel tax revenue in fiscal year 2021-22 is largely based on the assumption that widespread vaccination uptake will lead to a resumption in large in-person gatherings.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of changes in occupancy and average daily room rates (ADR), and generally grew between fiscal years 2011-12 and 2018-19. During the first seven months of fiscal year 2019-20, RevPAR grew by 2.8% on average over the same period prior year. As airlines began suspending flights to and from China in February, RevPAR decreased 10.9%. The decline sharpened with the shelter in place order in March, and RevPAR in the City reached its record low of \$15.89 in April, a 92.7% decrease from the same month prior year. Since then, as the City has slowly eased some restrictions, RevPAR has also increased slightly to \$30.65 in June, still an 86.7% decrease from the same month in 2019. RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2025-26. See "CITY BUDGET - Five-Year Financial Plan" for a summary of the most recent projections.

[Remainder of Page Intentionally Left Blank]

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2016-17 through 2021-22
(000s)

Fiscal Year ²	Tax Rate	Revenue	Change	
2016-17	14.0%	\$375,291	(17,391)	-4.4%
2017-18	14.0%	385,550	10,259	2.7%
2018-19	14.0%	414,343	28,792	7.5%
2019-20	14.0%	281,615	(132,728)	-32.0%
2020-21 <i>budgeted</i> ³	14.0%	156,652	(124,963)	-44.4%
2021-22 <i>budgeted</i> ³	14.0%	265,969	109,317	69.8%

¹ 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 took effect January 1, 2019.

² Figures for fiscal year 2016-17 through 2018-19 are actuals and figures for fiscal year 2019-20 are unaudited.

³ Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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

Real Property Transfer Tax

Real property transfer tax (RPTT) 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 RPTT 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.

RPTT revenue for fiscal year 2019-20 was \$334.5 million, a \$29.5 million (8.1%) decrease from fiscal year 2018-19 revenue. The fiscal year 2020-21 Final Adopted Budget is \$138.0 million, a decrease of \$196.5 million (58.7%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is \$253.4 million, an increase of \$115.4 million (83.6%) from the fiscal year 2020-21 Final Adopted budget. The entirety of RPTT revenue goes to the General Fund.

The Final Adopted Budget assumes that market uncertainty will result in fewer transfers of commercial properties in fiscal year 2020-21, but the City will return to its long-term average in the following fiscal year. As previously noted, the budget does not assume the passage of Proposition I in November 2020, which would double the transfer tax rates on the sale of properties greater than \$10 million. Proposition I has passed, and future projections will include revenue related to this measure

As the City’s most volatile revenue source, RPTT collections can see large year-over-year changes that have exceeded 70% in some instances. The main factors creating volatility are sales of high-value properties, availability of financing, and the relative attractiveness of San Francisco real estate compared to global investment options, all of which track closely with economic cycles, as well as voter-approved rate changes, which occurred in 2008, 2010 and 2016. The volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over \$25 million. In fiscal year 2008-09, transactions above \$25 million would have generated only \$10.6 million under the current rates compared to the peak in fiscal year 2016-17, when these transactions generated \$295.8 million. Since the end of the recession in fiscal year 2009-10, these large transactions made up on average 58.0% of total revenue but only 0.6% of the transaction count. This means that revenue is determined by a small handful of transactions. In the past two recessions, the taxes collected on large transactions fell dramatically.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2016-17 through 2021-22
(000s)

Fiscal Year ¹	Revenue	Change	
2016-17	\$410,561	\$141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19	364,044	83,628	29.8%
2019-20	334,535	(29,509)	-8.1%
2020-21 <i>budgeted</i> ²	138,000	(196,535)	-58.7%
2021-22 <i>budgeted</i> ²	253,420	115,420	83.6%

¹ Figures for fiscal year 2016-17 through 2018-19 are actuals and figures for fiscal year 2019-20 are unaudited.

² Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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.

The components of San Francisco’s 8.5% sales tax rate are shown in Table A-15. 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-15

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*	0.50%
(to counties for health & welfare)	
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%

* Represents portions of the sales tax allocated to the City.

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

Local sales tax (the 1% portion) revenue in fiscal year 2019-20 is \$180.2 million, \$33.4 million (15.7%) less than fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is \$183.7 million, an increase of \$3.5 million (1.9%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is \$185.3 million, an increase of \$1.6 million (0.9%) from the fiscal year 2020-21 Final Adopted 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 and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

The sales tax budget in fiscal year 2020-21 is driven by anticipated losses at restaurants, hotels, and non-essential retail because of the COVID-19 pandemic. Many San Francisco businesses are closed or operating at significantly reduced capacity, and consumers are spending less in certain categories given fewer opportunities and job loss or insecurity. To support small businesses, the State allowed eligible businesses to defer sales and use tax payments over a period of 12 months. The expiration of the deferral program contributes to slower estimated growth in fiscal year 2021-22.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2016-17 through 2021-22
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
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	8.50%	1.00%	213,625	20,679	10.7%
2019-20	8.50%	1.00%	180,184	(33,441)	-15.7%
2020-21 <i>budgeted</i> ²	8.50%	1.00%	183,670	3,486	1.9%
2021-22 <i>budgeted</i> ²	8.50%	1.00%	185,300	1,630	0.9%

¹ Figures for fiscal year 2016-17 through fiscal year 2018-19 are actuals and figures for fiscal year 2019-20 are unaudited.

² Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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 charges will increase to \$3.73 on every telecommunications line, \$28.02 on every trunk line, and \$504.40 on every high capacity line in the City in January 2021. 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). The tax was originally slated to go into effect on January 1, 2021, but in December 2021, the Board delayed the imposition of the tax by one year. The cannabis tax will now take effect beginning January 1, 2022.
- 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-17 reflects the City’s actual tax receipts for fiscal years 2016-17 through 2018-19, unaudited receipts for fiscal year 2019-20, and budgeted receipts for fiscal years 2020-21 through 2021-22.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the course of the COVID-19 pandemic and pace of economic recovery. Consistent with the other tax revenues, the Final Adopted Budget for fiscal year 2020-21 assumes that the local economy continues to be depressed in the first half of the fiscal year but begins to recover in the second half of the fiscal year. Fiscal year 2021-22 is assumed to rebound, as economic activity is anticipated to grow. See “CITY BUDGET - Five-Year Financial Plan” for a summary of the most recent projections.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO						
Other Local Taxes						
Fiscal Years 2016-17 through 2021-22						
General Fund						
(000s)						
Tax	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Unaudited	2020-21 Budget ¹	2021-22 Budget ¹
Utility Users Tax	\$101,203	\$94,460	\$93,918	\$94,231	\$81,090	\$88,990
Access Line Tax	46,530	51,255	48,058	49,570	48,900	51,990
Parking Tax	84,278	83,484	86,020	69,461	59,350	84,580
Sugar Sweetened Beverage Tax	N/A	7,912	16,098	13,182	14,000	14,000
Stadium Admissions Tax	1,199	1,120	1,215	2,730	2,500	4,400
Cannabis Tax	N/A	N/A	N/A	N/A	4,250	8,500
Franchise Tax	17,130	16,869	15,640	16,028	15,640	15,640

¹ Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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

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. See “Sales and Use Tax” above.

- 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-18 reflects the City’s actual receipts for fiscal years 2016-17 through 2018-19, unaudited receipts for fiscal year 2019-20, and budgeted receipts for fiscal years 2020-21 through 2021-22. As described in the “Impact of the State of California Budget on Local Finances” section above, State-wide sales tax is anticipated to decline and therefore, formula-driven subventions to counties are also expected to decline. The State of California’s budget temporarily backfills county realignment revenues in fiscal year 2020-21. The value of this backfill to the City and County of San Francisco is \$28.0 million.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO						
Selected State Subventions - All Funds						
Fiscal Years 2016-17 through 2021-22						
(\$millions)						
Tax	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Actuals	Actuals	Actuals	Unaudited	Budget ¹	Budget ¹
Health and Welfare Realignment						
General Fund	\$192.1	\$197.9	\$217.6	\$219.6	\$190.1	\$197.0
Hospital Fund	66.1	57.3	58.5	54.1	49.2	49.2
Total - Health and Welfare	\$258.2	\$255.2	\$276.1	\$273.7	\$239.4	\$246.2
Backfill Realignment³						
General Fund					\$22.1	
Non General Fund					6.0	
Total - Backfill Realignment					\$28.0	
Public Safety Realignment (General Fund)	\$35.5	\$37.4	\$39.4	\$41.1	\$36.1	\$33.2
Public Safety Sales Tax (Prop 172) (General Fund)	\$100.4	\$104.8	\$107.6	\$103.9	\$97.1	\$103.6

¹ Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

² Backfill Realignment is a one-time State funding to fill the shortfall in Health and Welfare Realignment and Public Safety Realignment due to the decrease of sales tax and vehicle license fees.

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-19 below:

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO						
Expenditures by Major Service Area						
Fiscal Years 2016-17 through 2021-22						
(000s)						
Major Service Areas	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	Final Budget	Final Budget	Final Budget	Final Budget (Unaudited)	Original Budget ¹	Original Budget ¹
Public Protection	\$1,266,148	\$1,316,870	\$1,390,266	\$1,493,240	\$1,448,004	\$1,419,535
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,270,530	1,477,225	1,272,305
Community Health	763,496	832,663	967,113	1,065,051	1,152,275	1,004,399
General Administration & Finance	252,998	259,916	290,274	332,296	363,650	367,768
Culture & Recreation	139,473	142,081	154,056	161,274	158,511	167,908
General City Responsibilities	134,153	114,219	172,028	137,851	219,635	175,806
Public Works, Transportation & Commerce	166,295	238,564	214,928	216,824	186,729	167,017
Total ²	\$3,700,689	\$3,951,771	\$4,309,557	\$4,677,066	\$5,006,029	\$4,574,738

¹ Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

² 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-20 reflects fiscal year 2020-21 and 2021-22 spending requirements in the Final Adopted Budget. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

If the City's projected deficit exceeds \$200 million, the required growth to the Dignity Fund and Recreation and Park baselines are suspended. The projected deficit in the March update to the Five-Year Financial Plan (released March 2020), exceeded \$200 million. The suspension is reflected in the fiscal year 2020-21 amounts on Table A-20.

TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
FY 2020-21 and FY 2021-22
(\$millions)

	2020-21 Original Budget ¹	2021-22 Original Budget ¹
Projected General Fund Aggregate Discretionary Revenue (ADR)	\$3,486.8	\$3,905.4
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	\$240.7	\$276.7
MTA - Parking & Traffic Baseline: 2.507% ADR	87.4	97.9
MTA - Population Adjustment	55.4	57.6
MTA - 80% Parking Tax In-Lieu	47.5	67.7
Subtotal - MTA	\$431.0	\$499.8
Library Preservation Fund		
Library - Baseline: 2.286% ADR	\$79.7	\$89.3
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	67.4	67.3
Subtotal - Library	\$147.1	\$156.6
Children's Services		
<i>Children's Services Baseline - Requirement: 4.830% ADR</i>	<i>\$168.4</i>	<i>\$188.6</i>
Children's Services Baseline - Eligible Items Budgeted	193.6	208.9
<i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i>	<i>20.2</i>	<i>22.7</i>
Transitional Aged Youth Baseline - Eligible Items Budgeted	30.9	31.0
Public Education Services Baseline: 0.290% ADR	10.1	11.3
NAV	107.8	107.7
<i>Public Education Enrichment Fund: 3.057% ADR</i>	<i>106.6</i>	<i>119.4</i>
1/3 Annual Contribution to Preschool for All	35.5	39.8
2/3 Annual Contribution to SF Unified School District	71.1	79.6
Subtotal - Children's Services	\$449.0	\$478.3
Recreation and Parks		
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	\$67.4	\$67.3
<i>Recreation & Parks Baseline - Requirement</i>	<i>76.2</i>	<i>79.2</i>
Recreation & Parks Baseline - Budgeted	84.0	80.5
Subtotal - Recreation and Parks	\$151.4	\$147.8
Other		
<i>Housing Trust Fund Requirement</i>	<i>\$39.6</i>	<i>\$42.4</i>
Housing Trust Fund Budget	39.6	42.4
Dignity Fund	50.1	53.1
Street Tree Maintenance Fund: 0.5154% ADR	18.0	20.1
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.8	3.7
City Services Auditor: 0.2% of Citywide Budget	22.9	21.4
Subtotal - Other	\$134.3	\$140.8
Recently Adopted Expenditure Requirements		
<i>Our City, Our Home Baseline Requirement (Nov 2018 Prop C)</i>	<i>215.0</i>	<i>215.0</i>
Our City, Our Home Budget, Estimated	266.8	279.8
<i>Early Care and Education Baseline Requirement (June 2018 Prop C)</i>	<i>79.7</i>	<i>86.5</i>
Early Care and Education Budget	90.8	98.0
Total Baselines and Set-Asides	\$1,670.3	\$1,801.1

¹ Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.

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 fiscal year 2020-21 (all funds) and \$5.8 billion in fiscal year 2021-22 in the Final Adopted Budget. For the General Fund, the combined salary and benefits budget is \$2.7 billion in fiscal year 2020-21 and \$2.6 billion in fiscal year 2021-22 in the Final Adopted 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"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2020-21 included 38,267 full-time and part-time 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 SEIU, 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 0.5% 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. Because the March 2020 Update to the Five-Year Financial Plan projected a deficit for fiscal year 2020-21 in excess of \$200 million, the scheduled wage increases as described above were

delayed by approximately six months. 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.

In September 2020, the City negotiated MOU extensions with labor organizations representing sworn members of Fire and Police departments. These MOUs have been extended two years to now expire on June 30, 2023. The parties agreed to the 3.00% General Wage increase previously deferred until December 26, 2020 to be split and deferred as follows: 1.00% deferred until COB June 30, 2022, 2.00% deferred until COB June 30, 2023. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021, 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. For fiscal year 2022-23, the parties agreed to a wage increase schedule of 3% on July 1, 2022, with a provision to delay the fiscal year 2022-23 adjustment by six months if the City's deficit for fiscal year 2022-23, as projected in the March 2022 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, with the same wage deferral triggers.

[Remainder of Page Intentionally Left Blank]

TABLE A-21

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of October 5, 2020

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	512	30-Jun-22
Bricklayers, Local 3	6	30-Jun-22
Building Inspectors' Association	91	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	43	30-Jun-22
Deputy Probation Officers' Association (DPOA)	133	30-Jun-22
Deputy Sheriffs' Association (DSA)	812	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	968	30-Jun-22
Firefighters' Association, Local 798	1,912	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 36	4	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,169	30-Jun-22
Municipal Attorneys' Association (MAA)	476	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,499	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	67	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	133	30-Jun-22
Pile Drivers, Local 34	27	30-Jun-22
Plumbers, Local 38	358	30-Jun-22
Police Officers' Association (POA)	2,669	30-Jun-21
Professional and Technical Engineers, Local 21	6,541	30-Jun-22
Roofers, Local 40	12	30-Jun-22
SEIU, Local 1021 Misc	12,830	30-Jun-22
SEIU, Local 1021 Nurses	1,736	30-Jun-22
Sheet Metal Workers, Local 104	39	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	117	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	687	30-Jun-22
Teamsters, Local 853	187	30-Jun-22
Teamsters, Local 856 Miscellaneous	96	30-Jun-22
Teamsters, Local 856 Supervising Nurses	130	30-Jun-22
TWU, Local 200	425	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	45	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,720	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)	201	30-Jun-22
Unrepresented Employees	90	30-Jun-22
Other	1,002	
	38,267 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 Employees' Retirement System ("SFERS" or "Retirement System")

The SFERS preliminary fund return for fiscal year 2019-20 is 2.41%. These returns are lower than had been projected when the contribution rate for fiscal year 2020-21 was established, because the COVID-19 Emergency and the ensuing recession have led to stock market volatility. A decline in market value could result in future increases in required pension fund contributions.

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, 2019 is 44,157, compared to 43,129 at July 1, 2018. Active membership at July 1, 2019 includes 8,911 terminated vested members and 1,044 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 30,778 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-22 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2015 through July 1, 2019. The active to retiree ratio or “support ratio” is an important indicator of sensitivity to investment returns, assumption changes, and other changes to the System. In particular, if the active to retiree ratio falls, it indicates that any losses on inactive liabilities or assets are likely to place a relatively greater burden on active members and employers. The ratio for SFERS has been relatively stable over the last five years. A survey of the City’s peers from the December 2019 Public Plans Database places SFERS’ support ratio at a level in the 50th to 75th percentile of pension plans comparable to the City’s pension plan.

TABLE A-22

**City and County of San Francisco
Employees' Retirement System
July 1, 2015 through July 1, 2019**

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
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
2019	34,202	8,911	1,044	44,157	30,778	1.111

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts exclude DROP participants. There are no active DROP members on or after July 1, 2016
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 2019-20 City employer contributions to the Retirement System were \$701.3 million, which includes \$388.4 million from the General Fund. For fiscal year 2020-21, total City employer contributions to the Retirement System are budgeted at \$739.3 million, which includes \$457.7 million from the General Fund. These budgeted amounts are based upon the fiscal year 2020-21 employer contribution rate of 26.90% (estimated to be 22.58% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2021-22 employer contribution rate is 26.20% (estimated to be 21.90% after cost-sharing). The decrease in employer contribution rate from 26.90% to 26.20% assumes 7.4% returns on investment and no future Supplemental COLAs. Employer contribution rates anticipate a six-month delay in annual increases in pensionable payroll of 3.5% and total contributions to the Retirement System could continue to climb even as contribution rates decline. 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-23 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2014-15 through 2018-19. 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.

TABLE A-23

**City and County of San Francisco
Employees' Retirement System
Fiscal Years 2014-2015 through 2018-2019
(Amounts in 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
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
2019	28,798,581	26,078,649	25,247,549	90.6	87.7	1,026,036	23.31

¹ Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2019-20 and 2020-21 are 25.19% and 26.90%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information. SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein 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 2019, 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.

Risks to City's Retirement Plan

In its 2019 actuary report, Cheiron identified three primary risks to the System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental COLA risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future Supplemental COLAs to increase contribution rates. Cheiron noted stress testing the supplemental COLA provision shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk prudently.

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. There have been no differences between the discount rate and assumed investment return 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 already been granted as of the valuation date. Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-23(a) 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-23(a)

City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2015-16 through 2019-20 (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
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
2019	30,555,289	7.40	26,078,649	85.3	4,476,640	4,213,807
2020	32,031,018	7.40	26,620,218	83.1	5,410,800	5,107,271

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)

While the increase in NPL between fiscal year-ends 2018 and 2019 is attributable to the decline in discount rate from 7.5% to 7.4%, the increase in NPL at fiscal year-end 2020 is due to the lower than expected investment returns during fiscal year 2019-2020.

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.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2019 was 7.57%. For the ten-year and twenty-year periods ending June 30, 2019, annualized investment returns were 10.43% and 7.02% 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) 487-7000. 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, then-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.

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2019, the audited market value of Retirement System assets was \$26.1 billion. As of December 31, 2020, the unaudited value of the System assets was \$30.6 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 actual total employer contributions to CalPERS was \$40.8 million in fiscal year 2019-20. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability.. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under “Medical Benefits – *Post-Employment Health Care Benefits and GASB 75 Reporting Requirements.*”

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 SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court; however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City’s Health Service Board (the “Health Service Board”). The plans (the “SFHSS Medical Plans”) for providing medical care to the City 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 System Trust Fund”) established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently-audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website at sfhss.org, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (628) 652-4646. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service System 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, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 45”) and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which apply to OPEB trust funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

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 an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. 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.” The “average contribution” is used to calculate the City’s required contribution to the Health Service System Trust Fund for retirees.

Unions representing approximately 93.3% of City employees, negotiate through collective bargaining rather than applying the “average contribution” to determine the amount the City is required to contribute for active employees. 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. 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.*”

[Remainder of Page Intentionally Left Blank]

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 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the Table Below.

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.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes and the current status are as follow:

- **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. The National Defense Authorization Act for Fiscal Year 2020 repealed the Cadillac tax, effective January 1, 2020.

- **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. The HIT was in effect in 2020 and substantially impacted rates. The tax was repealed effective January 1, 2021 also by the National Defense Authorization Act for Fiscal Year 2020.

- **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). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**

Congress revived and extended the PCORI fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee will now apply to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2019-20, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$822.5 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$697.0 million; approximately \$196.5 million of this \$697.0 million amount was for health care benefits for approximately 23,201 retired City employees and their eligible dependents and approximately \$500.5 million was for benefits for approximately 32,956 active City employees and their eligible dependents.

The 2021 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 3.85%, which is below national trends of 5.5% to 6%. This can be attributed 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. The 2021 aggregate cost of benefits offered by SFHSS to the City increased 3.61% which is also less than the national trends.

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 these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and reached the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2019 is approximately \$366.6 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

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 implemented 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 requires 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.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of the measurement date of June 30, 2019 (issued November 2020), used in the most recent actuarial valuation report updated June 30, 2019, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 8.6%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of \$366.6 million divided by the total OPEB liability of \$4.3 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$3.76 billion and the ratio of the Net OPEB liability to the covered payroll was 104.0%.

While GASB 75 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 liability. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis. For example, for fiscal year 2019-20 the annual OPEB expense was \$330.6 million, and the City paid \$236.0 million, which includes “pay-as-you-go” benefit payments and contributions to the Retiree Health Care Trust Fund.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2015-16 to 2019-20
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2015-16	326,133	51.8%	2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18	355,186	57.4%	3,717,209 ¹
2018-19	320,331	68.2%	3,600,967
2019-20	330,637	76.8%	3,915,814 ²

¹ Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

² Fiscal Year 2019-20 figures are unaudited.

Total City Employee Benefits Costs

Table A-25 provides historical and budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a “pay-as-you-go” approach was used by the City for health care benefits.

Table A-25 below provides a summary of the City’s employee benefit actual costs for fiscal years 2016-17 through 2018-19, unaudited costs for fiscal year 2019-20, and budgeted costs for fiscal years 2020-21 through 2021-22.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2016-17 through 2021-22
(000s)

	2016-17 Actual ¹	2017-18 Actual ¹	2018-19 Actual ¹	2019-20 Unaudited ¹	2020-21 Budget ⁴	2021-22 Budget ⁴
SFERS and PERS Retirement Contributions	\$554,956	\$621,055	\$650,011	\$751,952	\$785,106	\$803,986
Social Security & Medicare	196,914	\$212,782	\$219,176	\$228,477	\$231,962	\$233,802
Health - Medical + Dental, active employees ²	459,772	\$501,831	\$522,006	\$547,874	\$547,396	\$576,005
Health - Retiree Medical ²	165,822	\$178,378	\$186,677	\$196,641	\$218,896	\$232,047
Other Benefits ³	21,388	\$44,564	\$26,452	\$28,272	\$31,742	\$37,642
Total Benefit Costs	\$1,398,852	\$1,558,609	\$1,604,322	\$1,753,215	\$1,815,103	\$1,883,482

¹ Fiscal year 2016-17 through fiscal year 2018-19 figures are actuals, and fiscal year 2019-20 figures are unaudited.

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 Reflects Final Adopted Budget for 2020-21 and 2021-22 .

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

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.

Investment Portfolio

As of December 31, 2020, the City’s surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

[Remainder of Page Intentionally Left Blank]

TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of December 31, 2020

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasuries	\$8,123,860,000	\$8,137,395,171	\$8,147,519,878
Federal Agencies	2,849,410,000	2,849,288,020	2,885,249,047
State and Local Obligations	56,736,414	56,407,741	57,050,719
Public Time Deposits	40,000,000	40,000,000	40,000,000
Negotiable Certificates of Deposit	320,000,000	320,000,000	320,277,620
Medium Term Notes	5,000,000	4,997,000	5,001,200
Money Market Funds	981,924,308	981,924,308	981,924,308
Supranationals	407,135,000	405,770,303	408,677,603
Total	\$12,784,065,722	\$12,795,782,543	\$12,845,700,375

December Earned Income Yield: 0.665%

*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-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of December 31, 2020

<u>Maturity in Months</u>			<u>Par Value</u>	<u>Percentage</u>
0	to	1	2,556,924,308	20.00%
1	to	2	1,163,000,000	9.10%
2	to	3	1,971,800,000	15.42%
3	to	4	778,000,000	6.09%
4	to	5	1,116,436,414	8.73%
5	to	6	1,195,000,000	9.35%
6	to	12	2,633,695,000	20.60%
12	to	24	993,575,000	7.77%
24	to	36	110,140,000	0.86%
36	to	48	45,495,000	0.36%
48	to	60	220,000,000	1.72%
			\$12,784,065,722	100.00%

Weighted Average Maturity: 187 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.

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 makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. 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 years 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.

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" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of January 15, 2021, the City had approximately \$2.5 billion aggregate principal amount of GO 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-33.

Table A-28 shows the annual amount of debt service payable on the City's outstanding GO bonds.

[Remainder of Page Intentionally Left Blank]

TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of January 15, 2021^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2020-21 ³	\$204,820,457	\$99,195,792	\$304,016,249
2021-22	156,008,401	93,451,096	249,459,497
2022-23	159,660,251	86,145,128	245,805,379
2023-24	162,641,206	78,578,034	241,219,240
2024-25	164,746,476	70,865,550	235,612,026
2025-26	157,566,279	63,162,014	220,728,292
2026-27	163,975,840	56,192,014	220,167,854
2027-28	169,829,035	49,268,290	219,097,326
2028-29	171,296,751	42,438,940	213,735,691
2029-30	168,735,095	35,402,102	204,137,196
2030-31	131,841,950	28,620,518	160,462,469
2031-32	136,385,000	23,766,524	160,151,524
2032-33	102,910,000	19,009,227	121,919,227
2033-34	79,690,000	15,340,598	95,030,598
2034-35	72,235,000	12,603,279	84,838,279
2035-36	56,440,000	10,164,103	66,604,103
2036-37	45,165,000	8,284,174	53,449,174
2037-38	35,590,000	6,808,496	42,398,496
2038-39	16,310,000	5,641,128	21,951,128
2039-40	15,110,000	5,176,115	20,286,115
2040-41	8,520,000	4,739,543	13,259,543
2041-42	8,835,000	4,424,941	13,259,941
2042-43	9,155,000	4,098,469	13,253,469
2043-44	9,500,000	3,759,924	13,259,924
2044-45	9,845,000	3,408,363	13,253,363
2045-46	4,840,000	3,043,784	7,883,784
2046-47	5,005,000	2,880,246	7,885,246
2047-48	5,170,000	2,710,945	7,880,945
2048-49	5,345,000	2,535,881	7,880,881
2049-50	5,530,000	2,354,712	7,884,712
2050-51	5,725,000	2,159,925	7,884,925
2051-52	5,935,000	1,950,338	7,885,338
2052-53	6,155,000	1,732,790	7,887,790
2053-54	6,380,000	1,506,973	7,886,973
2054-55	6,610,000	1,272,671	7,882,671
2055-56	6,855,000	1,029,667	7,884,667
2056-57	7,110,000	777,438	7,887,438
2057-58	7,370,000	515,551	7,885,551
2058-59	3,895,000	243,790	4,138,790
2059-60	4,010,000	123,668	4,133,668
TOTAL⁴	\$2,502,746,740	\$855,382,740	\$3,358,129,482

¹ This table includes the City's General Obligation Bonds shown in Table A-33 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 Net of payment of principal and interest on the Series 2020D-2 Bonds, all of which came due December 15, 2020.

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 assessment district indebtedness or any redevelopment agency indebtedness.

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

Authorized but Unissued City GO Bonds

Certain GO 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.

In November 1992, voters approved Proposition A ("1992 Proposition A") which authorized the issuance of up to \$350.0 million in GO 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 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the "1992A/2016A 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 2019 and 2020, the City issued \$175.0 million of bonds across two series under the 1992A/2016A Propositions. Currently \$85.7 million remains authorized and unissued.

In November 2014, voters approved Proposition A ("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 issued \$377.2 million over three series of bonds in 2015, 2018, and 2020, leaving approximately \$122.8 million authorized and unissued.

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement 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. On June 2, 2020, the City closed the first series of bonds in the par amount of \$49.7 million, leaving \$375.3 million authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to \$600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. As of January 15, 2021, bonds have not been issued yet under this authorization.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to \$628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. As of January 15, 2021, bonds have not been issued yet under this authorization.

In November 2020, voters approved Proposition A (“2020 Health and Recovery Bond”), which authorized the issuance of up to \$487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. As of January 15, 2021, 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 (“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. In November of 2011, the Board of Supervisors adopted and the Mayor approved, Resolution No. 448-11 (“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. In March of 2020, the Board of Supervisors adopted and the Mayor approved, Resolution No. 097-20 (“2020 Resolution,” and together with the 2004 Resolution and 2011 Resolution, the “Refunding Resolutions”). The 2020 Resolution authorized the issuance \$1.483 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-29 below.

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of January 15, 2021

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2011-R1	November 2011	\$339,475,000	\$120,760,000 ¹
2015-R1	February 2015	293,910,000	220,830,000 ²
2020-R1	May 2020	195,250,000	195,250,000 ³

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.

³ Series 2008-R1 Bonds were refunded by the 2020-R1 Bonds in May 2020.

Table A-30 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 January 15, 2021, the City had authorized and unissued general obligation bond authority of approximately \$2.3 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds
 As of January 15, 2021¹

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	-	
			2007A	\$30,315,450	\$17,151,740	
			2015A	\$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	\$72,420,000	\$71,525,000	\$85,684,550
			2020C	\$102,580,000	\$102,580,000	
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$32,910,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$6,855,000	
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$160,465,000	
			2012D	\$251,100,000	\$139,315,000	
			2014A	\$209,955,000	\$145,960,000	
Earthquake Safety and Emergency Response Bond	6/8/10	\$412,300,000	2010E	\$79,520,000	-	
			2012A	\$183,330,000	-	
			2012E	\$38,265,000	\$26,755,000	
			2013B	\$31,020,000	\$15,860,000	
			2014C	\$54,950,000	\$38,175,000	
			2016C	\$25,215,000	\$20,450,000	
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	\$66,195,000	
			2016E	\$44,145,000	\$35,795,000	
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$36,785,000	
			2016B	\$43,220,000	\$22,255,000	
			2018A	\$76,710,000	\$43,145,000	
			2019B	\$3,100,000	-	
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	\$69,920,000	
			2016D	\$109,595,000	\$68,985,000	
			2018C	\$189,735,000	\$132,715,000	
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$39,985,000	
			2018B	\$174,445,000	\$98,115,000	
			2020B	\$135,765,000	\$135,765,000	
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$46,130,000	
			2018D	\$142,145,000	\$98,120,000	
			2019C	\$92,725,000	\$25,225,000	
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$112,175,000	
			2018E	\$49,955,000	\$35,195,000	
			2020D-1	\$111,925,000	\$111,925,000	
			2020D-2	\$15,000,000	-	
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	\$9,475,000	\$375,325,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000				\$628,500,000
Health and Recovery Bond	11/4/20	\$487,500,000				\$487,500,000
SUBTOTAL		\$5,978,700,000		\$3,678,905,450	\$1,965,906,740	\$2,299,794,550
General Obligation Refunding Bonds				Bonds Issued	Bonds Outstanding	
Series 2011-R1	11/9/12			\$339,475,000	\$120,760,000	
Series 2015-R1	2/25/15			\$293,910,000	\$220,830,000	
Series 2020-R1	5/7/20			\$195,250,000	\$195,250,000	
SUBTOTAL				\$828,635,000	\$536,840,000	
TOTALS		\$5,978,700,000		\$4,507,540,450	\$2,502,746,740	\$2,299,794,550

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-31 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 January 15, 2021.

[Remainder of Page Intentionally Left Blank]

TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of January 15, 2021¹

Fiscal Year ²	Principal	Interest ³	Annual Payment Obligation
2020-21 ⁴	\$42,990,000	\$31,062,005	\$74,052,005
2021-22	57,450,000	63,502,975	120,952,975
2022-23	61,915,000	59,596,644	121,511,644
2023-24	64,900,000	56,684,668	121,584,668
2024-25	66,200,000	53,603,887	119,803,887
2025-26	67,610,000	50,504,966	118,114,966
2026-27	70,820,000	47,263,427	118,083,427
2027-28	65,765,000	44,053,307	109,818,307
2028-29	70,760,000	40,882,160	111,642,160
2029-30	71,370,000	37,754,063	109,124,063
2030-31	66,675,000	34,920,514	101,595,514
2031-32	59,625,000	32,379,816	92,004,816
2032-33	60,560,000	30,127,441	90,687,441
2033-34	62,850,000	27,680,760	90,530,760
2034-35	55,815,000	25,353,447	81,168,447
2035-36	55,880,000	22,944,643	78,824,643
2036-37	55,370,000	20,494,029	75,864,029
2037-38	57,615,000	18,059,264	75,674,264
2038-39	59,945,000	15,524,156	75,469,156
2039-40	62,385,000	12,882,072	75,267,072
2040-41	64,915,000	10,131,868	75,046,868
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL⁵	\$1,488,120,000	\$764,400,923	\$2,252,520,923

¹ Excludes the 833 Bryant lease, commercial paper and the following privately placed lease purchase financings (with current outstanding amounts):

SFGH Emergency Backup Generators Project (\$10,086,565)

Gsmart Citywide Emergency Radio Replacement Project (\$21,185,295)

² For the Series 2018A (Refunding Open Space LRBs), reflects 7/1 payments to be paid in the current 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 ("1990 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. 1990 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 January 15, 2021, the total authorized and unissued amount for such financings was \$82.3 million.

In 1994, voters approved Proposition B ("1994 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 1994 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 1994 Proposition B.

In 2000, voters approved Proposition C ("2000 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"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of \$29.1 million to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

In 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 established 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 revenue bonds, which are currently outstanding in the principal amount of \$12.2 million, to refund Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-32 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

TABLE A-32*

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of January 15, 2021

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009C (525 Golden Gate Avenue)	2022	\$38,120,000	\$8,535,000
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	129,550,000
Refunding Series 2011A (Moscone Center South)	2024	23,105,000	9,420,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	32,580,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	23,965,000
Refunding Series 2014-R1 (Courthouse Project)	2021	13,615,000	2,230,000
Refunding Series 2014-R2 (Juevenile Hall Project)	2034	33,605,000	26,030,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	112,100,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	7,935,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	108,765,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	12,540,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	26,445,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	392,255,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	247,810,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	107,005,000
Refunding Series 2020-R1 (Multiple Capital Improvement Projects)	2033	70,640,000	70,640,000
Series 2020 (Animal Care & Control Project)	2041	47,075,000	47,075,000
Subtotal Certificates of Participation		\$1,515,240,000	\$1,369,710,000
LEASE PURCHASE FINANCING			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	\$22,549,489	\$10,086,565
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	21,185,295
Subtotal Lease Revenue Bonds		\$56,733,625	\$31,271,861
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	\$72,670,000	\$36,100,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	36,100,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	6,060,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	29,090,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	11,060,000
Subtotal Lease Revenue Bonds		\$215,925,000	\$118,410,000
Total General Fund Obligations		\$1,787,898,625	\$1,519,391,861

*Excludes California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) (\$26,985,000)

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.

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$95.0 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 fiscal year 2021-22.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$94.6 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to (i) finance or refinance the site acquisition of 814-20 Bryant Street and 470 6th Street and related construction, acquisitions, and improvement costs; and (ii) finance or refinance the acquisition of 1828 Egbert Avenue and related construction, acquisitions, and improvement costs. The City anticipates issuing the certificates in fiscal year 2020-21.

Also in October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$62.0 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City anticipates issuing a portion of the certificates in fiscal year 2020-21 and the remainder in fiscal year 2021-22.

HOPE SF Project: In December 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$83.6 million of City and County of San Francisco Certificates of Participation to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnysdale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the certificates in fiscal year 2022-23.

Department of Public Health Facilities Improvements: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed \$157.0 million of City and County of San Francisco Certificates of Participation to finance projects for the Department of Public Health, including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the certificates in fiscal year 2022-23.

Commercial Paper Program

In March 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 Series 1 and 1-T and Series 2 and 2-T CP notes are secured by credit facilities 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 2021. The Series 3 and 3-T and 4 and 4-T are secured by a \$100 million letter of credit issued by State Street Bank and Trust Company expiring in February 2022.

As of January 15, 2021, the outstanding principal amount of CP Notes is \$120.63 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.23%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Animal Care and Control, Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	CP Notes Liability as of 1/15/2021
Housing Trust Fund	\$18,726,655
Hall of Justice Relocation	\$82,958,345
SFGH FF&E	\$9,880,000
TOTAL	\$111,565,000

Overlapping Debt

able B-33 shows bonded debt and long-term obligations as of January 15, 2021 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.

TABLE A-33

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of January 15, 2021

<u>2020-21 Assessed Valuation</u> (includes unitary utility valuation):	\$302,011,940,399 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,502,746,741
San Francisco Unified School District	1,055,950,000
San Francisco Community College District	492,235,000
TOTAL GENERAL OBLIGATION BONDS	<u>\$4,050,931,741</u>
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	\$1,509,305,296
LONG-TERM OBLIGATIONS	<u>\$1,509,305,296</u> ²
TOTAL COMBINED DIRECT DEBT	\$5,560,237,037
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (34.606%) ²	\$652,971,389 ³
San Francisco Community Facilities District No. 4	10,600,000
San Francisco Community Facilities District No. 6	119,807,107
San Francisco Community Facilities District No. 7	32,935,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,587,770
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	472,840,000
San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Area No. 1	17,135,000
City of San Francisco Assessment District No. 95-1	360,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,195,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,970,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,840,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$1,326,241,266</u>
<u>OVERLAPPING TAX INCREMENT DEBT:</u>	
Successor Agency to the San Francisco Redevelopment Agency	\$738,895,372
Transbay Joint Powers Authority	264,585,000
TOTAL OVERLAPPING INCREMENT DEBT	<u>\$1,003,480,372</u>
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$7,889,958,675 ⁴
<u>Ratios to 2020-21 Assessed Valuation (\$302,011,940,399)</u>	<u>Actual Ratio</u>
Direct General Obligation Bonded Debt (\$4,050,931,741)	1.34% ⁵
Combined Direct Debt (\$5,560,237,037)	1.84%
Total Direct and Overlapping Bonded Debt	2.61%
<u>Ratio to 2020-21 Redevelopment Incremental Valuation (\$37,591,667,028)</u>	
Total Overlapping Tax Increment Debt	2.67%

¹ Includes \$602,779,710 homeowner's exemption for FY20-21.

² Excludes 833 Bryant lease and privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of \$10,086,565 as of 1/1/21.

³ Reflects 2020-21 ratio.

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 FY20-21 AV is 0.80%.

Source: California Municipal Statistics Inc., Office of Public Finance, City and County of San Francisco

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 XIII A of the California Constitution

Article XIII A 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 XIII A 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 XIII A) 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 XIII A 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.

Since its adoption, Article XIII A 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 XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B 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 XIII B 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.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D 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 XIII C 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 XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, 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 XIII C. 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 XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) 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.

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 statute 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.

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City. 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.

Ongoing Investigations

On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Transbay Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from

contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

The City Attorney's Office, in conjunction with the Controller's Office, is seeking to identify officials, employees and contractors involved in these schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Controller's Office, in conjunction with the City Attorney's Office, has put into place interim controls to review Public Works contracts for red flags and process failures. The Controller's Office is also working with the City Attorney's Office to identify whether stop payments, cancellations or other terminations are justified on any open contracts, purchase orders or bids. Also, the Controller, in coordination with the City Attorney's Office, intends to produce periodic public reports setting forth assessments of patterns and practices to help prevent fraud and corruption and recommendations about best practices, including possible changes in City law and policy.

On March 10, 2020, the City Attorney transmitted to the Mayor its preliminary report of investigations of alleged misconduct by the City's Director of the Department of Building Inspections ("DBI"). The allegations involve violations of the City Campaign and Conduct Code and DBI's Code of Professional Conduct by the Director by (i) providing intentional and preferential treatment to certain permit expeditors, (ii) accepting gifts and dinners in violation of DBI's professional code of conduct, and (iii) otherwise violating City laws and policies by abusing his position to seek positions for his son and son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

On June 29, 2020, the Controller released its preliminary assessment of Citywide procurement practices, with an emphasis on the Public Works Department. The report is subject to public comment and review and could be revised in the future. The preliminary assessment focused on City laws, practices and policies and made recommendations to make improvements on such City laws and policies to improve transparency, reduce the risk of loss and abuse in City contracting in the future. The Controller expects to issue additional reports in the future. Reviews of the City internal controls will be released in a subsequent report. Finally, the City Attorney investigation continues with respect to the review certain contracts and payments made to outside vendors. To date, the City Attorney's investigation has led to the release of four city employees (including the Director of Public Works and the Director of Building Inspections, as described above) or officials from their City positions.

On September 24, 2020 the Controller issued an additional report noting that Mr. Nuru also solicited donations from private sources and directed those donations to a non-profit supporting the department of public works. Such arrangements, which were neither accepted or disclosed by the City, created a perceived risk of "pay-to-play" relationships. The report made recommendations to the Board of Supervisions that, among other things, would restrict the ability of department heads from soliciting donations from interested parties in the future and would increase transparency surrounding gifts made to benefit City departments.

On November 30, 2020, Harlan L. Kelly, Jr., the General Manager of the San Francisco Public Utilities Commission ("SFPUC"), was charged in a federal criminal complaint with one count of honest services wire fraud. The complaint alleges that Mr. Kelly engaged in a long-running bribery scheme and corrupt partnership with Walter Wong, a San Francisco construction company executive and permit expediting

consultant, who ran or controlled multiple entities doing business with the City. The complaint further alleges that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. Earlier criminal charges filed against Walter Wong alleged that Mr. Wong conspired with multiple City officials, including former Public Works Director Mohammed Nuru, in a conspiracy and money laundering scheme. Mr. Wong pled guilty in July of this year and is cooperating with the ongoing federal investigation.

Mr. Kelly resigned on December 1, 2020 and the SFPUC's Commission acted on his resignation on December 8, 2020. Until the SFPUC's Commission nominates and the Mayor appoints a new General Manager, Michael Carlin (SFPUC Deputy General Manager) is serving as the Acting General Manager for the SFPUC.

The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing. The City Attorney, together with the City's Controller, continues to undertake an internal investigation of City contracting and policies and procedures arising from the federal charges.

In addition to the joint investigation by the City Attorney's Office and the Controller's Office, the City's Board of Supervisors has initiated a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee will also consider the Controller's periodic reports. The full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be.

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.

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO GENERAL OBLIGATION REFUNDING BONDS SERIES 2021-__

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 issuance of the bonds captioned above (the “Bonds”). The Bonds are issued pursuant to Resolution No. 97-20 adopted by the Board of Supervisors of the City on March 3, 2020, and duly approved by the Mayor of the City on March 13, 2020 and Resolution No. ____-21 adopted by the Board of Supervisors of the City on _____, 2021, and duly approved by the Mayor of the City on _____, 2021 (together, the “Resolution”). 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 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

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

“Dissemination Agent” shall 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” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) and Section 5(b) of this Disclosure Certificate.

“MSRB” shall 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” shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission 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 shall, or shall 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 2020-21 fiscal year (which is due not later than March 27, 2022), 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 shall 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 is 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 shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

(c) The Dissemination Agent shall (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 shall 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 schedule of aggregate annual debt service on tax-supported indebtedness of the City; and
- (f) a summary of outstanding and authorized but unissued tax-supported indebtedness 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 shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. 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.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bondholders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;

15. Non-payment related defaults;
 16. The consummation of a merger, consolidation, or acquisition involving an obligated person or 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;
 17. Appointment of a successor or additional trustee or the change of name of a trustee; or
 18. 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.
- (c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).
- (d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.
- (e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall 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, 5(a) or 5(b), 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 Bonds 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 issuance of the Bonds, 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 Bonds 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 shall describe such amendment in the next Annual Report, and shall 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 shall 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 shall 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 shall 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. Default. 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 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, 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. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall 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 Bonds, and shall create no rights in any other person or entity.

Date: _____, 2021

CITY AND COUNTY OF
SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

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 Bond Issue: CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2021-____
Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _____, 2021. 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 1-10 of this Appendix E, concerning The Depository Trust Company (“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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, 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 E. 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. As used in this Appendix E, “Securities” means the Bonds, “Issuer” means the City, and “Agent” means the City Treasurer, acting as the paying agent.

1. The Depository Trust Company (“DTC”) will act as securities depository for the securities (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, and will be deposited with DTC.

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. The information presented on each website is *not* incorporated by reference as part of this Official Statement.

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.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MALI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 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 Issuer or Agent, 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, Agent, or Issuer, 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 Issuer or Agent, 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 Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer 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.

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL (2021-R1)

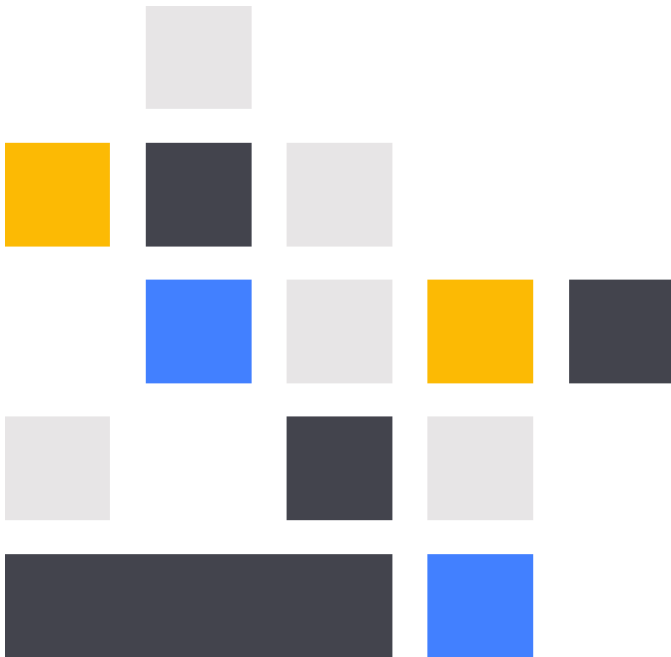
APPENDIX G

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL (2021-R2)

2021 General Obligation Refunding Bonds

BUDGET AND FINANCE COMMITTEE

- Resolution: Authorizes the issuance and sale of General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-R2 ("2021 GO Refunding Bonds") - Not to Exceed \$220,000,000
- Appropriation Ordinance: Refunding General Obligation Bond Proceeds - \$220,000,000



March 17, 2021

City and County of San Francisco
Office of the Controller
Office of Public Finance

Proposed GO Refunding Bond Series 2021-R1 & 2021-R2

SUMMARY OF THE PROPOSED 2021 GO REFUNDING BONDS

- The following Prior Bonds have been identified by OPF as refunding candidates which can be refunded in March 2021 and September 2021 and are estimated to produce savings based on bond market conditions as of March 2021:

2021 General Obligation Bond Refunding Candidates	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
<i>Refunding Candidates callable June 15, 2021</i>				
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$36,785,000	\$34,690,000	2033
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$15,860,000	\$14,955,000	2033
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$66,195,000	\$62,425,000	2033
Subtotal Refunding Candidates callable June 15, 2021	\$232,550,000	\$118,840,000	\$112,070,000	
<i>Refunding Candidates callable December 15, 2021</i>				
Refunding Series 2011-R1	\$339,475,000	\$120,760,000	\$94,125,000	2030
Total 2021 GO Refunding Candidates	\$572,025,000	\$239,600,000	\$206,195,000	

- Estimated gross savings to property taxpayers of approximately **\$25.2 million** based on an estimated interest rate of 1.86%
- On a net present value ("NPV") basis, debt service savings are estimated to be **\$23.0 million**, or **11.17%** of the total outstanding principal (\$206.2 million) of the Prior Bonds to be refunded



Approving Sale of GO Refunding Bonds, Series 2021-R1 & 2021-R2, not to exceed \$220,000,000

CURRENT PLAN OF FINANCE

- With the Resolution, OPF is seeking approval of the sales of the second (2021-R1) and third (2021-R2) series of GO Refunding Bonds under the 2020 Master Refunding Authorization
- Not to exceed par amount of \$220,000,000
- Final Maturity of June 15, 2033
- Estimated True Interest Cost: 1.86%
- Estimated Closing Dates:
 - Series 2021-R1: April 2021
 - Series 2021-R2: September 2021

SOURCES AND USES

<u>Sources:</u>	Series 2021-R1	Series 2021-R2	Total
<u>Refunding Bond Proceeds</u>			
Par Amount	\$95,850,000	\$87,810,000	\$183,660,000
Premium	\$19,326,284	\$9,098,279	\$28,424,563
Total Sources	\$115,176,284	\$96,908,279	\$212,084,563
<u>Uses:</u>			
Refunding Escrow	\$114,594,953	\$96,376,085	\$210,971,038
<u>Delivery Date Expenses</u>			
Cost of Issuance	\$407,854	\$373,268	\$781,122
Underwriter's Discount	\$173,477	\$158,926	\$332,403
Total Uses	\$115,176,284	\$96,908,279	\$212,084,563
<i>Reserve for Market Uncertainty</i>			\$7,915,437
Not-to-Exceed Par Amount			\$220,000,000

Source: Montague DeRose and Associates, LLC

