

File No. 130376

Committee Item No. 9
Board Item No. 23

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date: 05/8/2013

Board of Supervisors Meeting Date: 5/14/2013

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"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <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 checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| <input checked="" type="checkbox"/> | <input checked="" 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"/> | Preliminary Official Statement |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Appendix A |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Official Notice of Sale |
| <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: Victor Young Date May 3, 2013
Completed by: Victor Young Date 5-9-13

1 [Issuance - Equipment Lease Revenue Bonds, Series 2013A - Finance Corporation
2 Equipment Program - Not to Exceed \$12,500,000]

3 **Resolution approving the form of and authorizing execution and delivery of Equipment**
4 **Lease Revenue Bonds, Series 2013A, Supplement No. 19, between the City and County**
5 **of San Francisco Finance Corporation, as lessor, and the City and County of San**
6 **Francisco (City), as lessee, with respect to certain equipment to be used for city**
7 **purposes, a related certificate of approval and a continuing disclosure certificate;**
8 **approving the issuance of lease revenue bonds by said nonprofit corporation in an**
9 **amount not to exceed \$12,500,000; approving the form of the official statement and the**
10 **distribution thereof in preliminary and final form; providing for reimbursement to the**
11 **City of certain city expenditures incurred prior to the issuance of lease revenue bonds;**
12 **and providing for the execution of documents in connection therewith.**

13
14 WHEREAS, Pursuant to Section 9.108(3) of the Charter of the City and County of San
15 Francisco (the "Charter"), the Board of Supervisors of the City and County of San Francisco
16 (the "Board of Supervisors") may approve lease financing involving a nonprofit corporation
17 established for such purposes for the acquisition of equipment, the obligations with respect to
18 which shall not exceed in the aggregate at one time a principal amount of \$20 million
19 increased by five percent in each fiscal year commencing with fiscal year 1990-1991, provided
20 that the Controller of the City and County of San Francisco or his designee (collectively, the
21 "Controller") makes the certification required by said section of the Charter prior to the sale of
22 such obligations; and,

23 WHEREAS, The City and County of San Francisco Finance Corporation (the
24 "Corporation"), a California nonprofit public benefit corporation, has been formed to, among
25

1 other purposes, serve as the nonprofit corporation pursuant to Section 9.108(3) of the
2 Charter; and,

3 WHEREAS, The Board of Supervisors has previously entered into an equipment lease
4 (the "Equipment Lease") with the Corporation to provide for the acquisition, construction and
5 installation by the Corporation of equipment to be used for the purposes of the City and
6 County of San Francisco (the "City") and the leasing of said equipment and certain equipment
7 subject to existing leases to the City; and,

8 WHEREAS, The Board of Supervisors desires to approve the issuance of commercial
9 paper under the City's commercial paper program to initially fund all or a portion of the
10 acquisition, construction and installation of additional equipment to be used for City purposes;
11 and,

12 WHEREAS, The Board of Supervisors has determined to enter into an Equipment
13 Lease Supplement No. 19 (Series 2013A Bonds) (the "Equipment Lease Supplement" and,
14 together with the Equipment Lease, the "Lease") to provide for the acquisition, construction
15 and installation of said additional equipment by the Corporation and the leasing of said
16 equipment to the City; and,

17 WHEREAS, The Corporation proposes to issue its lease revenue bonds designated as
18 the "City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series
19 2013A (Equipment Program)" (the "Bonds"), secured by base rentals to be paid by the City
20 under the Lease, a portion of the proceeds of which will be used to finance or refinance the
21 acquisition, construction and installation of such additional equipment; and,

22 WHEREAS, The Board of Supervisors is authorized to approve the execution and
23 delivery of the Equipment Lease Supplement and the issuance of the Bonds pursuant to a
24 resolution duly adopted by the Board of Supervisors; and,

1 WHEREAS, Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule")
2 requires that an "obligated person" (as defined in the Rule) agree to provide certain annual
3 financial information and notice of certain specified events to Participating Underwriters (as
4 defined in the Rule), to bondholders and beneficial owners of the Bonds, and the City is an
5 obligated person; now, therefore, be it

6 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
7 follows:

8 Section 1. Recitals. All of the recitals herein are true and correct.

9 Section 2. Approval of Form of Equipment Lease Supplement and Certificate of
10 Approval. In accordance with the recommendation of the Office of Public Finance of the City,
11 the form of the Equipment Lease Supplement, by and between the Corporation and the City,
12 and the related Certificate of Approval presented to this Board of Supervisors, copies of which
13 are on file with the Clerk of the Board of Supervisors in File No. 130376, and which are hereby
14 declared to be a part of this resolution as if set forth fully herein, are hereby approved. The
15 Mayor of the City or his designee (collectively, the "Mayor") is hereby authorized to execute
16 the Equipment Lease Supplement and the related Certificate of Approval, and the Clerk of the
17 Board of Supervisors or the designee of such officer (collectively, the "Clerk of the Board") is
18 hereby authorized to attest and affix the seal of the City on the Equipment Lease Supplement,
19 in substantially the forms presented to the Board of Supervisors, with such modifications,
20 changes, or additions as the Mayor may approve in accordance with Section 3 hereof.

21 Section 3. Modifications to Equipment Lease Supplement and Certificate of Approval.
22 The Mayor is hereby authorized to approve and make such modifications, changes or
23 additions to the Equipment Lease Supplement and the Certificate of Approval, upon
24 consultation with the City Attorney of the City, as may be necessary or desirable in the
25 interests of the City, and which changes do not materially increase the obligations of the City

1 under the Lease, such approval to be conclusively evidenced by the execution and delivery by
2 the Mayor and the Clerk of the Board of the Equipment Lease Supplement and by the Mayor
3 of the Certificate of Approval; provided, however, that the total project costs of the acquisition
4 and installation of the equipment to be financed or refinanced with the proceeds of the Bonds
5 (the "Project") shall not exceed \$12,500,000, that the maximum interest rate on the Bonds
6 shall not exceed 10% per annum and that the Equipment Lease Supplement shall have a
7 termination date no later than April 1, 2019.

8 Section 4. Approval of Issuance of the Bonds. The Board hereby approves the
9 issuance of commercial paper from time to time to fund all or a portion of the initial costs of
10 the Project. The issuance by the Corporation of not to exceed \$12,500,000 aggregate
11 principal amount of City and County of San Francisco Finance Corporation Lease Revenue
12 Bonds, Series 2013A (Equipment Program), to be secured by the payment of base rental by
13 the City pursuant to the Lease, is hereby approved; provided, however, that the Bonds shall
14 not be issued unless prior to the sale thereof the Controller certifies that in his opinion the net
15 interest cost to the City will be lower as a result of the issuance of the Bonds than other
16 financings or refinancings involving a lease or leases.

17 Section 5. Approval of the Official Statement in Preliminary and Final Form. The form
18 of the Official Statement relating to the Bonds (the "Official Statement"), as presented to this
19 Board, a copy of which is on file in preliminary form with the Clerk of the Board in File No.
20 130376, and which is hereby declared to be a part of this resolution as if set forth fully herein,
21 is hereby approved. The Director of Public Finance, or her designee (collectively, the
22 "Director of Public Finance") is hereby authorized to approve the distribution of the preliminary
23 Official Statement, with such changes, additions, modifications or deletions as the Director of
24 Public Finance may approve upon consultation with the City Attorney; such approval to be
25 conclusively evidenced by the distribution of the preliminary Official Statement to potential

1 purchasers of the Bonds. The Controller of the City is hereby authorized to execute, and the
2 Director of Public Finance is hereby further authorized to approve the distribution of, the
3 Official Statement in final form.

4 Section 6. Reimbursement of Certain Expenditures. In the event that the City pays
5 certain capital expenditures from its general fund in connection with the equipment listed on
6 Exhibit A to the Equipment Lease Supplement (the "Equipment") as finally executed and as
7 may be amended from time to time in connection with the issuance of the Bonds or other
8 indebtedness for the Equipment, and to the extent that the City has already made such
9 payments in connection with the Equipment, all such payments will be and have been made
10 with the reasonable expectation by the City that such payments for such expenditures will be
11 reimbursed from the proceeds of the Bonds or such other indebtedness. Pursuant to
12 Treasury Regulation Section 1.150-2, the City hereby declares its official intent to be
13 reimbursed from the proceeds of the Bonds or other indebtedness for such Equipment
14 expenditures. This Section 6 of this Resolution is approved by the City solely for the purposes
15 of establishing compliance with the requirements of Section 1.150-2 of the Treasury
16 Regulations, and does not bind the City or the Corporation to make any expenditure, incur any
17 indebtedness or proceed with the Project.

18 Section 7. Title to the Equipment. The City will accept title to the Equipment, including
19 any additions to the Equipment, as provided under the Lease.
20
21
22
23
24
25

1 Section 8. Approval of Form of Continuing Disclosure Certificate. The form of
2 Continuing Disclosure Certificate (the "Certificate") to be executed and delivered by the City, a
3 copy of which is on file with the Clerk of the Board in File No. 130376, and which is hereby
4 declared to be a part of this resolution as if set forth fully herein, is hereby approved. The
5 Mayor or the Controller is hereby authorized to execute the Certificate, in substantially the
6 form presented to the Board of Supervisors, with such modifications, changes or additions as
7 the Mayor or the Controller may make or approve upon consultation with the City Attorney,
8 such approval to be conclusively evidenced by the execution and delivery of the Certificate.

9 Section 9. General Authorization. The Mayor, the City Attorney, the Controller, the
10 Director of Public Finance, the Clerk of the Board and the other officers of the City, and their
11 duly authorized deputies and agents are hereby authorized and directed, jointly and severally,
12 to take action to authorize the purchase of the Equipment by the Corporation, to execute and
13 deliver such certificates, requests or other documents and agreements, including, but not
14 limited to, certificates relating to the Official Statement for the Bonds in preliminary or final
15 form or to other offering material relating to the Bonds, or relating to the purchase of bond
16 insurance, if any, on the Bonds, as they may deem necessary or desirable to facilitate the
17 execution and delivery by the City of the Equipment Lease Supplement and of the Certificate
18 of Approval and the consummation of the financing contemplated thereby, and to otherwise
19 carry out the provisions of this Resolution.

20 APPROVED AS TO FORM:

21 DENNIS J. HERRERA, City Attorney

22
23 By:

24 Kenneth David Roux
25 KENNETH DAVID ROUX
Deputy City Attorney

Items 8 & 9
Files 13-0370 and 13-0376

Department:
Controller's Office of Public Finance (OPF)

EXECUTIVE SUMMARY

Legislative Objective

File 13-0376: The proposed resolution would authorize (a) the issuance of Equipment Lease Revenue Bonds, Series 2013A, in an amount not-to-exceed \$12,500,000 to fund the purchase of 165 pieces of various equipment for 16 City departments, and (b) related financing documents.

File 13-0370: The proposed ordinance would (a) appropriate \$2,056,612 of Equipment Lease Revenue Bonds, Series 2013A, proceeds and (b) de-appropriate \$171,628 from the Equipment Lease Program to fund related financial costs for issuing Equipment Lease Revenue Bonds, Series 2013A, for Citywide Lease Equipment financing in FY2012-13.

Key Points

- In June of 1990, the voters of San Francisco approved Proposition C which permits the City to issue Equipment Lease Revenue Bonds to acquire equipment for City Departments, subject to a maximum of \$20,000,000 of such bonds being outstanding at any one time. Proposition C also provided for a five percent annual increase in the maximum amount of outstanding bonds, such that the current maximum amount of outstanding bonds allowable is \$58,505,214.
- Ms. Nadia Sesay, Office of Public Finance, anticipates issuing \$11,875,000 in Equipment Revenue Bonds or \$625,000 less than the proposed not-to-exceed amount of \$12,500,000 in order to allow for interest rate fluctuations which may occur in the financial markets. The anticipated issuance of \$11,875,000 includes (a) \$10,271,760 in equipment purchases as previously approved by the Board of Supervisors in the FY 2012-2013 budget, and (b) \$1,603,240 in financing costs.
- The Board of Supervisors appropriated a total of \$10,443,388 in the FY 2012-13 budget for the equipment purchases which is \$171,628 greater than the total \$10,271,760 equipment costs that have been revised due to updated equipment quotations and decreased requests from certain departments; therefore the proposed supplemental appropriation would de-appropriate \$171,628 from the FY 2012-13 budget.
- The FY 2012-13 previously approved budget appropriation of \$10,443,388 did not include the estimated \$2,228,240 of needed financing and issuance costs for the subject Equipment Lease Revenue Bonds; therefore, the proposed supplemental appropriation would appropriate \$2,228,240 for such financing and issuance costs.

Fiscal Impact

- The debt service on the proposed Equipment Lease Revenue Bonds, which is estimated to average \$2,042,413 per year over six years, from October 1, 2013 through April 1, 2019, or a total of \$12,254,478, including \$11,875,000 in principal and \$379,478 in interest. Such debt service would be paid by the 16 City General Fund departments who acquire the equipment. All debt service expenditures would be subject to annual appropriation approval by the Board of Supervisors in future year budgets.
- Under the proposed ordinance, the supplemental appropriation would (a) appropriate \$2,056,612 of proceeds from the subject 2013 Equipment Lease Revenue Bonds sale, and (b) de-appropriate \$171,628 from the Equipment Lease Program previously appropriated in the FY 2012-13 budget for the needed financing and issuance costs of \$2,228,240 for the FY 2012-13 Equipment Lease Revenue Bonds.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT

Mandate Statement

In June of 1990, San Francisco voters approved Proposition C, a Charter Amendment which authorized the Board of Supervisors to approve lease-financing of equipment purchases for the City through a non-profit corporation, the San Francisco Finance Corporation. The equipment leased by the City is purchased by the San Francisco Finance Corporation from the proceeds of Equipment Lease Revenue Bonds. Proposition C also imposed a maximum amount of \$20,000,000 in such outstanding bonds at any one time. However, Proposition C provided for a five percent annual increase in the maximum amount of outstanding bonds, such that as of July 1, 2012, the maximum amount of outstanding bonds allowable is \$58,505,214.

Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Background

According to Ms. Nadia Sesay, Director of the Office of Public Finance, since FY 1990-1991 the San Francisco Finance Corporation has issued Equipment Lease Revenue Bonds each year, on behalf of the City, for the procurement of equipment on an annual basis for the City's Lease Equipment Program, with four exceptions.¹

According to Ms. Sesay, the City benefits from debt financing the purchase of equipment because debt financing allows the cost of purchasing the equipment to be spread over the useful life of the assets.

The City, through the San Francisco Finance Corporation, has previously issued \$182,100,000 in Equipment Lease Revenue Bonds and has repaid \$157,990,000 of the outstanding debt, such that the current outstanding bond amount is \$24,110,000 (\$182,100,000 less \$157,990,000), or \$34,395,214 less than the maximum allowable amount of outstanding bonds of \$58,505,214.

DETAILS OF PROPOSED LEGISLATION

File 13-0376: The proposed resolution would authorize (a) the issuance of Equipment Lease Revenue Bonds, Series 2013A, in an amount not-to-exceed \$12,500,000 to fund the purchase of 165 pieces of various equipment for 16 City departments for FY 2012-13, and (b) related financing documents.

The proposed resolution:

- Approves the form and authorizes the execution of the Equipment Lease Supplement, by and between the City and the Finance Corporation, and the related Certificate of Approval;

¹According to Ms. Sesay, bonds were not issued in FY 1996-1997, FY 2000-2001, FY 2004-2005, and FY 2008-2009 because either (a) budget constraints caused the Mayor to cancel the issuance, or (b) sufficient budgeted funds were available to purchase the equipment on a cash basis.

- Authorizes the Mayor, upon consultation with the City Attorney, to approve and make changes to the Equipment Lease Supplement and the related Certificate of Approval, if such changes (a) do not materially increase the obligations of the City and (b) do not result in total project costs to exceed \$12,500,000 with a maximum interest rate not-to-exceed 10 percent annually and terminating no later than April 1, 2019;
- Approves the issuance of commercial paper by the San Francisco Finance Corporation to fund all or a portion of the initial costs of the acquisition and installation of the equipment to be financed or refinanced with the proceeds from the 2013 Equipment Lease Revenue Bonds;
- Approves the issuance of the 2013 Equipment Lease Revenue Bonds in an amount not-to-exceed \$12,500,000 by the San Francisco Finance Corporation;
- Approves the Official Statement in both the Preliminary and Final Form; authorizes the Director of Public Finance, upon consultation with the City Attorney, to revise the Official Statement if necessary and approve its distribution; and authorizes the Controller to execute the final Official Statement;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City;
- Authorizes the reimbursement from the proceeds of the 2013 Equipment Lease Revenue Bonds or other indebtedness for certain expenditures paid by the General Fund in connection with the equipment to be financed or refinanced with the proceeds from the 2013 Equipment Lease Revenue Bonds in compliance with U.S. Treasury Regulation Section 1.150-2;
- Accepts the title to the equipment, including any additions to the equipment, to be financed or refinanced with the proceeds from the 2013 Equipment Lease Revenue Bonds; and
- Authorizes the purchase of the equipment by the San Francisco Finance Corporation.

Although the proposed resolution would authorize the issuance of a not-to-exceed \$12,500,000 in Equipment Lease Revenue Bonds, Ms. Sesay estimates issuing \$11,875,000 in Equipment Lease Revenue Bonds, or \$625,000 less than the authorized not-to-exceed \$12,500,000. The maximum \$12,500,000 amount would allow for interest rate fluctuations in market conditions until the time of the bond issuance. Ms. Sesay anticipates issuing the proposed bonds on, or about, May 14, 2013.

Table 1 below, provided by Ms. Sesay, identifies the dollar value of equipment to be purchased by each of 16 City departments, under the proposed issuance of \$11,875,000 in Equipment Lease Revenue Bonds, including (a) \$10,271,760 in equipment, and (b) \$1,603,240 in financing costs.

Table 1: Uses of Bond Proceeds

Equipment	
Adult Probation	\$175,517
City Attorney	125,369
District Attorney	168,565
Emergency Communication	29,606
Fire	3,846,238
General Service	145,620
Human Services	432,887
Juvenile Probation	100,295
Police	889,700
Public Defender	125,369
Public Health	899,820
Public Works	1,723,332
Recreation and Park	1,432,718
Elections	89,227
Sheriff	32,550
Technology	54,947
Subtotal	\$10,271,760
Financing Costs	
Debt Service Reserve Fund	\$1,187,500
Capitalized Interest	57,228
Underwriter's Discount	59,375
Cost of Issuance	299,137
Subtotal	\$1,603,240
Total	\$11,875,000

The Attachment provided by Ms. Sesay, identifies the 165 specific pieces of equipment and the costs of each piece of equipment to be purchased by each of the 16 City departments to be financed by the proposed 2013 Equipment Lease Revenue Bonds. According to Ms. Angela Whittaker, Compliance and Administrative Officer, Controller's Office of Public Finance, City departments will take delivery of most of this equipment by June 2014.

File 13-0370: The proposed ordinance would (a) appropriate \$2,056,612 of proceeds from the subject Equipment Lease Revenue Bonds, Series 2013A sale and (b) de-appropriate \$171,628 from the Equipment Lease Program previously appropriated in the FY 2012-13 budget due to updated equipment quotations and decreased requests from certain departments, for total lease revenue bond issuance and related financing costs of \$2,228,240 for the FY 2012-13 equipment lease program, as shown in Table 2 below.

Table 2: Appropriation and De-Appropriation Sources and Uses

Sources	
<i>Appropriation</i>	
Proceeds of Sale of 2013A Equipment Lease Revenue Bonds	\$2,056,612
<i>De-Appropriation</i>	
Decrease in FY 2012-13 budget due to revised quotes and equipment requests	(\$171,628)
Total Sources	\$2,228,240
Uses	
<i>Appropriation</i>	
Debt Service Reserve Fund	\$1,187,500
Interest Fund (Capitalized Interest)	57,228
Underwriter's Discount	59,375
Cost of Issuance	299,137
Reserve Pending Sale	625,000
Total Uses	\$2,228,240

According to Ms. Sesay, funds to procure equipment for each City department is appropriated as part of the City's annual budget process, such that the Board of Supervisors appropriated a total of \$10,443,388 in the FY 2012-13 budget for the subject Lease Equipment Program. However, the FY 2012-13 previously approved appropriation of \$10,443,388 is \$171,628 greater than the total \$10,271,760 equipment costs, as shown above in Table 1. Therefore, as shown above in Table 2 above, the proposed supplemental appropriation would de-appropriate \$171,628 from the FY 2012-13 budget.

In addition, the FY 2012-13 previously approved budget appropriation of \$10,443,388 did not include the estimated \$2,228,240 of needed financing and issuance costs for the subject Equipment Lease Revenue Bonds. Therefore, the proposed supplemental appropriation would appropriate \$2,228,240 for such financing and issuance costs, as shown above in Table 2.

FISCAL IMPACTS

File 13-0376: Ms. Sesay estimates that the anticipated 2013 Equipment Lease Revenue Bonds totaling \$11,875,000 will be sold at an estimated annual interest rate of 2.62% with a term of six years, from 2013 to 2019. As noted above, the 2013 Equipment Lease Revenue Bonds are anticipated to be sold on or about May 14, 2013. City lease payments are scheduled to begin October 1, 2013 and would be payable through and including April 1, 2019.

Total debt service for the \$11,875,000 in proposed Equipment Lease Revenue Bonds over the six-year term is estimated to cost \$12,254,478, including \$11,875,000 in principal and \$379,478 in interest, with average annual debt service of \$2,042,413 over the six-year period. All of the equipment shown in the Attachment was previously approved by the Board of Supervisors in

the FY 2012-2013 budget. Debt service costs are subject to Board of Supervisors appropriation approval annually in future year budgets of the City through FY 2018-2019.

File 13-0370: The proposed ordinance would (a) appropriate \$2,056,612 of proceeds from the proposed 2013 Equipment Lease Revenue Bonds sale, and (b) de-appropriate \$171,628 from the Equipment Lease Program previously appropriated in the FY 2012-13 budget for the needed financing and issuance costs of \$2,228,240 for the FY 2012-13 Equipment Lease Revenue Bonds, as shown in Table 2 above.

According to Ms. Sesay, the de-appropriation of \$171,628 is an across the board decrease from the \$10,443,388 amount previously approved in the FY 2012-13 budget and is a result of lower costs than anticipated due to updated equipment quotations and decreased requests from certain departments. As shown in Table 3 below, the revised amount required for the procurement of the equipment in the Equipment Lease Program is \$10,271,000 (See Table 1 above, \$10,443,388 less \$171,628).

**Table 3: FY 2012-13 Equipment Lease Program and
Equipment Lease Revenue Bonds Issuance**

Equipment	
Amount Appropriated in the FY 2013-12 Budget	\$10,443,388
Decrease due revised equipment request	(\$171,628)
Subtotal Revised Equipment Cost	\$10,271,760
Financing Costs	
Debt Service Reserve Fund	1,187,500
Capitalized Interest	57,228
Costs of Issuance	358,512
Subtotal Financing Costs	\$1,603,240
Total Expected Bond Issuance	\$11,875,000
Controller' Reserve	\$625,000
Total	\$12,500,000

As shown in Table 3 above, under the proposed ordinance, \$625,000 would be placed on Controller's Reserve pending the sale of the Equipment Lease Revenue Bonds, in case the financing costs exceed the estimated amount of \$1,603,240 for the \$11,875,000 bond issuance under the proposed resolution (File 13-0376). According to Ms. Sesay, the \$625,000 placed on Controller's Reserve is not expected be used in the issuance of the Equipment Lease Revenue Bonds, such that following the sale of the bonds, the Controller will execute a technical adjustment to decrease the appropriation to reflect the actual amount required.

RECOMMENDATION

Approve the proposed resolution and ordinance.

City and County of San Francisco Finance Corporation
 Lease Revenue Bonds, Series 2013A
 Equipment Purchase

Dept.	Equipment	Units	Unit Cost	Total Cost	Dept. Total	Equip. Budget #	Estimated Delivery Date
ADM	E150 Wgn	2	28,508.27	57,016.53		AD1301	11/01/13
ADM	Colorado	1	22,041.01	22,041.01		AD1302	10/01/13
ADM	Prius	1	25,073.82	25,073.82		AD1303	11/01/13
ADM	Colorado	1	20,408.34	20,408.34		AD1304	10/01/13
ADM	FORD F-150	1	21,080.90	21,080.90	145,620.59	AD1306	11/01/13
APD	Chevy Caprices	7	25,073.82	175,516.74	175,516.74	AP1301	06/30/13
CAT	Prius	5	25,073.82	125,369.10	125,369.10	CT1301	05/01/13
DAT	Police Pursuit Vehicle - Caprice	5	29,380.58	146,902.90		DA1302	06/15/13
DAT	Vehicle (Insight)	1	21,662.48	21,662.48	168,565.38	DA1303	05/01/13
DPH	Prius (Formerly City vehicle for Mosaic program)	1	25,073.82	25,073.82		MH1301	06/13/12
DPH	Thompson retractor liver transplant	1	94,178.00	94,178.00		GH1316	05/01/13
DPH	Multi-headed conference scope	1	48,120.84	48,120.84		GH1317	05/01/13
DPH	E150 Wgn	1	24,441.25	24,441.25		GH1318	05/01/13
DPH	E350 Wgn	1	25,765.04	25,765.04		GH1319	05/01/13
DPH	Explorer	1	27,473.37	27,473.37		GH1320	05/01/13
DPH	E150 Wgn	1	24,441.25	24,441.25		LH1305	06/13/13
DPH	Prius	1	25,073.82	25,073.82		LH1306	06/13/13
DPH	E150 Wgn	1	24,441.25	24,441.25		MH1302	06/13/13
DPH	E350 Wgn	1	25,765.04	25,765.04		MH1303	06/13/12
DPH	Vehicle (Insight)	4	21,662.48	86,649.94		MH1304	06/13/13
DPH	Prius	1	25,073.82	25,073.82		MH1305	06/13/13
DPH	E150 Wgn	2	24,441.25	48,882.49		CH1301	06/01/13
DPH	Prius	1	25,073.82	25,073.82		CH1302	06/01/13
DPH	Colorado	3	20,408.34	61,225.03		CH1303	06/01/13
DPH	Vehicle (Insight)	2	21,662.48	43,324.97		CH1304	06/01/13
DPH	Prius	4	25,073.82	100,295.28		CH1305	06/01/13
DPH	Colorado	7	20,408.34	142,858.40		CH1306	06/01/13
DPH	Vehicle (Insight)	1	21,662.48	21,662.48	899,819.89	CH1307	06/01/13
DPW	Back-hoe ROPS FOPS	1	124,775.00	124,775.00		PW1303	06/28/13
DPW	Pothole Truck crew Cag Heated Bed 5 YDS	1	174,142.50	174,142.50		PW1304	02/26/14
DPW	3/4 Ton Pick Up Truck	1	38,669.40	38,669.40		PW1305	05/15/13
DPW	Green Machine Sweeper Large	1	117,730.10	117,730.10		PW1306	06/02/14
DPW	3/4 Ton Pick Up Truck	1	38,669.40	38,669.40		PW1307	05/15/13
DPW	10 Wheel Dump Truck 12 YD Bed	3	146,475.00	439,425.00		PW1308	06/28/13
DPW	Concrete mixture Truck	1	184,450.00	184,450.00		PW1309	01/24/14
DPW	Steamfitter Shop 1 Ton Pickup Utility Bed	1	35,805.00	35,805.00		PW1310	07/31/13
DPW	Ford 1/2 Ton Pickup	1	46,391.56	46,391.56		PW1311	10/11/13
DPW	1 Ton Flat Bed 12" Wtr. Unit lift gate Aux Fuel Tanks	1	48,825.00	48,825.00		PW1312	07/31/13
DPW	3/4 Ton Pick Up Truck	2	38,669.40	77,338.80		PW1313	05/15/13
DPW	GMC Flat Bed Truk-Side Gates-Lift Gate	1	60,760.00	60,760.00		PW1314	08/30/13
DPW	Caterpillar Whl loader 2 YD	1	336,350.00	336,350.00	1,723,331.76	PW1315	09/29/13
DSS	Ford Transit Connect Wagons	9	39,740.56	357,665.04		SS1302	01/01/14
DSS	Toyota Prius Hybrid	3	25,073.82	75,221.46	432,886.50	SS1303	11/01/13
ECD	Ford Utilitiy Police Interceptor	1	29,605.79	29,605.79	29,605.79	EC1301	06/30/13
FIR	Aerial Ladder Truck	2	920,829.00	1,841,658.00		FD1302	03/15/14

FIR	Fire Engine	4	501,145.00	2,004,580.00	3,846,238.00	FD1303	01/05/14
JUV	Prius	4	25,073.82	100,295.28	100,295.28	JU1302	07/15/13
PDR	Toyota Prius	5	25,073.82	125,369.10	125,369.10	PU1301	05/01/13
POL	Marked Police Vehicles	15	54,250.00	813,750.00		PD1302	06/01/13
POL	Prisoner Transport Vans	2	37,975.00	75,950.00	889,700.00	PD1303	09/13/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1307	06/15/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1308	06/15/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1309	06/15/13
REC	CHEVY COLORADO	1	21,985.24	21,985.24		RP1310	06/15/13
REC	CHEVY COLORADO	1	20,732.37	20,732.37		RP1311	06/15/13
REC	TORO GREENS MOWER GR3150	1	38,096.92	38,096.92		RP1312	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	29,715.28	29,715.28		RP1313	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1314	06/15/13
REC	TORO INFIELD PRO 5040	1	22,408.30	22,408.30		RP1315	06/15/13
REC	FORD F-350	1	35,214.98	35,214.98		RP1316	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1317	06/15/13
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07	47,049.07		RP1318	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1319	06/15/13
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07	47,049.07		RP1320	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	30,315.46	30,315.46		RP1321	06/15/13
REC	TORO GROUNDSMASTER 3280D	1	23,529.99	23,529.99		RP1322	06/15/13
REC	FORD F-150 XL	1	25,997.55	25,997.55		RP1323	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	26,778.83	26,778.83		RP1324	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1325	06/15/13
REC	FORD F-250	1	37,029.52	37,029.52		RP1326	06/15/13
REC	TORO WORKMAN	1	29,943.97	29,943.97		RP1327	06/15/13
REC	CHEVY COLORADO	1	21,989.99	21,989.99		RP1328	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1329	06/15/13
REC	TORO WORKMAN	1	29,943.97	29,943.97		RP1330	06/15/13
REC	TORO WORKMAN	1	23,464.34	23,464.34		RP1331	06/15/13
REC	MULTI PRO 5800	1	54,665.19	54,665.19		RP1332	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1333	06/15/13
REC	FORD F-250, 4WD	1	32,563.76	32,563.76		RP1334	06/15/13
REC	55' AERIAL LIFT	1	265,825.00	265,825.00		RP1335	06/15/13
REC	CHEVY COLORADO	1	23,501.82	23,501.82		RP1336	06/15/13
REC	FORD F-250, 4WD	1	40,490.78	40,490.78		RP1337	06/15/13
REC	FORD E-350, CNG	1	44,453.68	44,453.68		RP1338	06/15/13
REC	CHEVY COLORADO	1	25,655.30	25,655.30		RP1339	06/15/13
REC	CHEVY COLORADO	1	22,557.93	22,557.93		RP1340	06/15/13
REC	FORD F-150	1	29,300.01	29,300.01		RP1341	06/15/13
REC	FORD F-250, 4WD	1	31,343.74	31,343.74		RP1342	06/15/13
REC	FORD F-150	1	29,300.01	29,300.01		RP1343	06/15/13
REC	FORD E-350, CNG	1	44,453.68	44,453.68		RP1344	06/15/13
REC	CHEVY COLORADO	1	21,506.03	21,506.03	1,432,717.67	RP1345	06/15/13
REG	E150 Wgn	1	24,441.25	24,441.25		RE1304	06/01/13
REG	Vehicle (Insight)	1	21,662.48	21,662.48		RE1305	06/01/13
REG	FORD F-150	1	43,123.42	43,123.42	89,227.15	RE1306	06/01/13
SHF	Ford Police Interceptor Vehicle	1	32,550.00	32,550.00	32,550.00	SH1303	06/01/13
TIS	Prius	1	27,473.37	27,473.37		TI1322	09/01/13
TIS	Prius	1	27,473.37	27,473.37	54,946.74	TI1323	09/01/13
		165		10,271,759.70	10,271,759.70		



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director
Controller's Office of Public Finance

SUBJECT: Resolution Authorizing the Sale of not to exceed \$12,500,000 in aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Lease Program)

DATE: April 16, 2013

Recommended Action:

The Controller's Office of Public Finance respectfully requests consideration of the attached resolution by the Budget and Finance Committee on Wednesday, April 24, 2013.

Attached are an original and four copies of the Resolution Authorizing the sale of not to exceed \$12,500,000 in aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Lease Program) (the "Series 2013A Bonds"). The related financing documents—including the Preliminary Official Statement which includes Appendix A, Equipment Lease Supplement No. 19, which includes the Certificate of Approval, Nineteenth Supplemental Indenture, Notice of Intention to Sell, and the Official Notice of Sell.

Background:

The Equipment Lease Program

In June 1990, the voters approved Proposition C which authorized the City to issue up to \$20,000,000 of lease revenue bonds to acquire equipment for City departments. The Proposition C authorization provides for a 5% annual adjustment to the original \$20,000,000 authorization. The annual 5% adjustment is made each July 1. As of July 1, 2012, the maximum authorized amount was \$58,505,214 (see Attachment A).

The City and County of San Francisco Finance Corporation (the "Finance Corporation") is a non profit public benefit corporation. The Finance Corporation was formed in 1991 to provide a

means to finance equipment, the acquisition, construction and installation of facilities, and tangible, real and personal property for the City's general governmental purposes.

The equipment lease program also functions as a revolving bond fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued \$182,100,000 in equipment lease revenue bonds. To date, \$157,990,000 has been repaid leaving \$24,110,000 in equipment lease revenue bonds outstanding (see Attachment B). Given the annual adjustment factor of 5% on July 1, 2012, as of April 1, 2013 the amount available for issuance will be \$34,395,214 (\$25,035,214 plus the amount principal (\$9,360,000) paid on April 1, 2013).

Under the equipment lease program, the Finance Corporation issues bonds to acquire a specified list of equipment for the City. Pursuant to an Agency Agreement between the City and the Finance Corporation, the City has the responsibility for acquiring the equipment. Under the Equipment Lease, the City rents the equipment from the Finance Corporation. The City's semi-annual lease payments are made 15 days prior to the date that the Finance Corporation must pay bondholders. The City's annual lease payments are made in amounts sufficient to pay the principal and interest due on the bonds and any related administration costs (such as the Trustee costs). All of the Finance Corporation's equipment lease revenue bonds are payable on each October 1 and April 1, so the City's payments are due on September 15 and March 15. Unlike most other City bond offerings, principal is payable twice per year.

The purpose of the equipment lease program is to aid City departments in the acquisition of equipment that they could not reasonably pay for within the limits of their annual budget. Instead, the departments can leverage their money as a lease payment to finance the equipment. As such, the Board of Directors of the Finance Corporation has a policy that no individual item can have a per unit cost of less than \$20,000 unless (1) it is an integral part of a system (such as a computer network) or (2) the number of units to be acquired is so large that the department could not pay for the acquisition from its annual operating budget.

Lease payments to be made on equipment to be purchased in this fiscal year will be carried in the City's fiscal year 2013-2014 budget.

The Proposed Series 2013A Bonds:

The Series 2013A Bonds will fund part of the City's annual equipment purchase program for fiscal year 2012-2013. The request for equipment to be financed by Series 2013A Bonds is for approximately \$10,271,760. The City Departments requesting equipment consists of the following:

Table 2: Department Request Detail

<u>Department</u>	<u>Amount</u>
Fire Department	\$ 3,846,238
General Service Agency	145,621
Adult Probation	175,517
City Attorney	125,369
District Attorney	168,565
Dept. of Public Health	899,820
Dept. of Public Works	1,723,332
Dept. of Human Services	432,887
Emergency Communication Department	29,606
Juvenile Hall	100,295
Public Defender	125,369
Police Department	889,700
Recreation & Parks	1,432,718
Department of Elections	89,227
Sheriff Department	32,550
Department of Technology	54,947
Total	\$ 10,271,760

A complete list of the individual equipment items is included herewith as Attachment C. The equipment identified in Attachment C was previously approved by the Board of Supervisors as part of the Fiscal year 2012-2013 budget process. The Mayor's Office and the Controller's Office will ensure that the respective departments will budget sufficient money to make their annual rental payment in fiscal year 2013-2014 and in subsequent years.

The City requests that the Finance Corporation issue its Lease Revenue Bonds, Series 2013A Bonds in an amount not to exceed \$12,500,000 to finance part of the fiscal year 2012-2013 equipment acquisitions. While we currently only expect to issue \$11,875,000 in bonds, the added authorization gives the City sufficient flexibility to address any changes in bond market conditions.

The Series 2013A Bonds are expected to be sold by competitive bid on or about May 14, 2013 assuming stable bond market conditions and close approximately two weeks after the sale. Debt service will be payable on April 1 and October 1 of each year commencing October 1, 2013. Principal repayment will begin on April 1, 2014 and will be made semi-annually through and including April 1, 2019. Because there is a time lag between the sale of the bonds and the receipt of the equipment, a portion of interest payment through October 1, 2014 will be capitalized from bond proceeds. That is to say that the Finance Corporation will borrow money to make those interest payments as required by California statutes pertaining to leases. Under State law, a lease payment cannot be made until the lessee has beneficial use of the asset being leased. Since there is a time delay in acquiring the equipment, the City will not have immediate beneficial use of the assets and therefore cannot immediately begin to make its lease payments. However, investors are still owed interest on their investment, so the interest payment is borrowed as part of the bond offering. This is known as "capitalized interest."

Financing Structure:

The financing will be structured as a lease financing whereby the City will lease the equipment from the Finance Corporation at annual rentals sufficient to amortize the acquisition costs. The annual City lease payments will be pledged as security for the bonds. As such, the lease payments are due to the Trustee 15 days prior to a bond debt service payment on 3/15 and 9/15.

Financing Parameters:

The anticipated amount of bonds required to be issued to fund the cost of the equipment acquisitions is estimated at 11,875,000 based on current interest rates and market conditions. The Resolutions authorizes the issuance of not to exceed par amount of \$12,500,000. The estimated sources and uses of the bond financing are as follows:

Table 1: Estimated Sources and Uses from the Issuance of the 2013A Bonds.

Estimated Sources of Funds	
Par Amount of Bonds	\$ 11,875,000
Total Estimated Sources	\$ 11,875,000
Estimated Uses of Funds	
Acquisition Fund	10,271,760
Debt Service Reserve Fund	1,187,500
Interest Fund (Capitalized Interest)	57,228
Underwriters Discount	59,375
Working Capital	5,000
Cost of Issuance	294,137
Total Estimated Uses of Funds:	\$ 11,875,000

The acquisition costs for the equipment includes any sales or license taxes payable thereon. The debt service reserve account is funded at 10% of the par amount of the bonds. The costs of issuance primarily include amounts for legal fees, trustee fees, financial advisory fees, rating agency fees, printing costs and other costs associated with issuing the bonds.

Fiscal Impact:

Debt service for fiscal year 2013-2014 is \$1,326,617. (See Table 3 below). The numbers below are based upon conservative estimates. The overall effective interest rate on the bonds will be approximately 2.62% given the current market conditions.

Each department will pay annual debt service for each item of equipment acquired. The number of years the debt service is payable varies according to the useful life of the equipment acquired. Debt service on majority of the equipment being acquired is payable from October 1, 2013 through October 1, 2016. The debt service on the equipment with the longest useful life is payable through and including April 1, 2019.

Table 3: Aggregate Debt Service Schedule.

Payment Date	Principal	Interest	Gross Debt Service	Gross D/S by FY
10/1/2013	\$ -	\$ 41,050	\$ 41,050	\$ -
4/1/2014	1,225,000	60,566	1,285,566	1,326,617
10/1/2014	1,660,000	56,891	1,716,891	
4/1/2015	1,670,000	51,081	1,721,081	3,437,973
10/1/2015	1,675,000	44,401	1,719,401	
4/1/2016	1,685,000	36,780	1,721,780	3,441,181
10/1/2016	1,690,000	28,271	1,718,271	
4/1/2017	450,000	18,638	468,638	2,186,909
10/1/2017	450,000	15,780	465,780	
4/1/2018	455,000	12,518	467,518	933,298
10/1/2018	455,000	8,832	463,832	
4/1/2019	460,000	4,669	464,669	928,501
	\$ 11,875,000	\$ 379,478	\$ 12,254,478	\$ 12,254,478

Additional Information:

Financial Advisor for the Series 2013A Bonds is Kitahata & Company. Co-Bond Counsel for the bonds is Squire, Sanders & Dempsey. The Finance Corporation's Counsel is Dannis Woliver Kelley.

The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, will also approve and authorize the use and distribution of the Official Statement/Preliminary Official Statement that is prepared by the Working Group. Such approval is anticipated on or about April 24, 2013. For purposes of the Securities and Exchange Act of 1934, the Controller and the Chief Financial Officer of the Finance Corporation certifies, on behalf of the City, that the Preliminary and Final Official Statement are final as of their respective dates.

The Preliminary Official Statement: The Resolution also approves the form of Preliminary and final Official Statement relating to the Bonds (the "Official Statement"). The information contained in the Appendix A to the Official Statement was updated as of March 1, 2013 and was prepared by City staff for inclusion in the Official Statement.

Federal securities laws impose on the City the obligation to ensure that its offering documents are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the disclosure documents as well as City staff charged with preparing the documents. The Official Statement is attached for your approval prior to its publication.

Documents Enclosed Herewith:

In preparation for the meeting, enclosed please find the following items:

- 1) Draft bond documents, in substantially final form, for the Finance Corporation's Lease Revenue Bonds, Series 2013A enabling the financing of the fiscal years 2012-2013 equipment acquisition which consist of the following:
 - a) Preliminary Official Statement describing the bonds, the lease and the project for the purpose of selling the Bonds to investors. It also contains Appendix A dated March 1, 2013 which describes the City's government and organization, the budget, property taxation, other City tax revenues, other revenue sources, general fund programs and expenditures, employment costs, post retirement obligations, investments, capital financing, bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management; and
 - b) Equipment Lease Supplement No.19 representing the supplement to the Equipment Lease dated January 1991 and as amended and restated as of October 1998 between the Finance Corporation as lessor and the City as lessee of the Equipment, defining the equipment and describing the rental stream pledged as security for the Bonds. It also contains the Certificate of Approval.
 - c) Twentieth Supplemental Indenture representing the supplement to the Indenture dated January 1991 and as amended and restated as of October 15, 1998 between the Trustee (as fiduciary for the bondholders), the Finance Corporation and the City.
 - d) Notice of Intention to Sell representing the advertisement of the sale of the Bonds, to be published in The Bond Buyer and the Independent.
 - e) Official Notice of Sale describing the bid process for the Bonds and the sale and award thereof.

Attachments (A, B C)

Enclosures (1, a through e)

Cc:	Jason Elliott, Mayor's Liaison	Kate Howard, Mayor's Budget Director
	Harvey Rose, Budget Analyst	Ben Rosenfield, Controller
	Angela Calvillo, Clerk of the Board	Kenneth D. Roux, Deputy City Attorney
	Janet Mueller, Corporate Counsel	Board of Directors of the Finance Corporation

City and County of San Francisco Finance Corporation
Equipment Lease Revenue Bond Program
Calculation of Outstanding Issuance Authorization

Fiscal Year Beginning (7/1)	Maximum Principal Amount ¹	New Annual Authorization ¹	Available for New Issuance	Annual Amount Issued	Plus Principal Reductions	Available for New Issuance ¹	Outstanding
1991	\$20,000,000	n/a	\$20,000,000	\$7,020,000	\$0	\$12,980,000	\$7,020,000
1991-92	21,000,000	1,000,000	13,980,000	5,555,000	1,345,000	9,770,000	\$11,230,000
1992-93	22,050,000	1,050,000	10,820,000	10,200,000	2,190,000	2,810,000	\$19,240,000
1993-94	23,152,500	1,102,500	3,912,500	6,850,000	4,575,000	1,637,500	\$21,515,000
1994-95	24,310,125	1,157,625	2,795,125	6,075,000	5,710,000	2,430,125	\$21,880,000
1995-96	25,525,631	1,215,506	3,645,631	7,065,000	7,050,000	3,630,631	\$21,895,000
1996-97	26,801,913	1,276,282	4,906,913	0	7,875,000	12,781,913	\$14,020,000
1997-98	28,142,008	1,340,096	14,122,008	13,715,000	7,705,000	8,112,008	\$20,030,000
1998-99	29,549,109	1,407,100	9,519,109	10,835,000	7,060,000	5,744,109	\$23,805,000
1999-00	31,026,564	1,477,455	7,221,564	8,315,000	7,090,000	5,996,564	\$25,030,000
2000-01	32,577,893	1,551,328	7,547,893	0	7,575,000	15,122,893	\$17,455,000
2001-02	34,206,787	1,628,895	16,751,787	7,900,000	6,485,000	15,336,787	\$18,870,000
2002-03	35,917,127	1,710,339	17,047,127	10,975,000	5,880,000	11,952,127	\$23,965,000
2003-04	37,712,983	1,795,856	13,747,983	9,530,000	6,845,000	11,062,983	\$26,650,000
2004-05	39,598,632	1,885,649	12,948,632	9,420,000	8,450,000	11,978,632	\$27,620,000
2005-06	41,578,564	1,979,932	13,958,564	10,135,000	8,720,000	12,543,564	\$29,035,000
2006-07	43,657,492	2,078,928	14,622,492	11,830,000	10,450,000	13,242,492	\$30,415,000
2007-08	45,840,366	2,182,875	15,425,366	11,885,000	10,045,000	13,585,366	\$32,255,000
2008-09	48,132,385	2,292,018	15,877,385	0	10,860,000	26,737,385	\$21,395,000
2009-10	50,539,004	2,406,619	29,144,004	10,255,000	9,055,000	27,944,004	\$22,595,000
2010-11	53,065,954	2,526,950	30,470,954	14,725,000	7,085,000	22,830,954	\$30,235,000
2011-12	55,719,252	2,653,298	25,484,252	9,815,000	6,580,000	22,249,252	\$33,470,000
2012-13	58,505,214	2,785,963	25,035,214	0	9,360,000	34,395,214	\$24,110,000
2013-14	61,430,475	2,925,261	37,320,475	0	9,735,000	47,055,475	\$14,375,000
2014-15	64,501,999	3,071,524	50,126,999	0	7,075,000	57,201,999	\$7,300,000
As of April 1, 2013		\$ 38,505,214		\$ 182,100,000	\$ 157,990,000	\$ 34,395,214	

⁽¹⁾ Rounded down to the nearest dollar

⁽²⁾ Par amount available for issuance as of April 1, 2013

Finance Corporation for the City and County of San Francisco
Principal Schedule

Fiscal Year	1997A*	1998A*	1999A*	2000A*	2001A*	2002A*	2003A*	2004A*	2005A*	2006A*	2007A	2008A	2010A	2011A	2012A	Payment Sum	Fiscal Year Sum
Oct-91	645,000															700,000	1,345,000
Apr-92	700,000															1,080,000	2,425,000
Oct-92	740,000															1,110,000	3,535,000
Apr-93	760,000															2,230,000	5,765,000
Oct-93	805,000	1,090,000														2,345,000	8,110,000
Apr-94	805,000	1,180,000														2,500,000	10,610,000
Oct-94	735,000	1,240,000	360,000													3,410,000	14,020,000
Apr-95	465,000	1,270,000	600,000													3,420,000	17,440,000
Oct-95	200,000	1,290,000	840,000	405,000												3,750,000	21,190,000
Apr-96	180,000	1,315,000	875,000	820,000												3,875,000	25,065,000
Oct-96	95,000	990,000	885,000	885,000												3,650,000	31,715,000
Apr-97	105,000	900,000	890,000	890,000												3,575,000	35,290,000
Oct-97	45,000	1,025,000	1,025,000	930,000												3,595,000	38,885,000
Apr-98	30,000	1,170,000	1,170,000	850,000												3,295,000	42,180,000
Oct-98	30,000	1,230,000	1,230,000	730,000												3,205,000	45,385,000
Apr-99	310,000	1,330,000	1,330,000	1,655,000												3,725,000	49,110,000
Oct-99	180,000	1,800,000	1,800,000	20,000												3,665,000	52,775,000
Apr-00	180,000	180,000	180,000	20,000												3,435,000	56,210,000
Oct-00		155,000	155,000													3,170,000	59,380,000
Apr-01		175,000	175,000													3,405,000	62,785,000
Oct-01		1,415,000	1,415,000	1,175,000												3,210,000	66,000,000
Apr-02		660,000	660,000	1,200,000												3,275,000	69,275,000
Oct-02		1,480,000	1,480,000	1,235,000												2,800,000	72,075,000
Apr-03		1,265,000	1,265,000	1,285,000												3,215,000	75,290,000
Oct-03		555,000	555,000	240,000												3,180,000	78,470,000
Apr-04		595,000	595,000	245,000												3,180,000	81,650,000
Oct-04		685,000	685,000	250,000												3,265,000	84,915,000
Apr-05		580,000	580,000	240,000												3,180,000	88,095,000
Oct-05		590,000	590,000	240,000												3,180,000	91,275,000
Apr-06		685,000	685,000	15,000												3,265,000	94,540,000
Oct-06		1,180,000	1,180,000	185,000												3,545,000	98,085,000
Apr-07		375,000	375,000	310,000												4,295,000	102,380,000
Oct-07		1,660,000	1,660,000	385,000												4,865,000	107,245,000
Apr-08		1,600,000	1,600,000	310,000												4,595,000	111,840,000
Oct-08		575,000	575,000	295,000												4,465,000	116,305,000
Apr-09		575,000	575,000	295,000												4,465,000	120,770,000
Oct-09		1,220,000	1,220,000	370,000												4,865,000	125,635,000
Apr-10		1,220,000	1,220,000	370,000												4,865,000	130,500,000
Oct-10		1,220,000	1,220,000	370,000												4,865,000	135,365,000
Apr-11		1,220,000	1,220,000	370,000												4,865,000	140,230,000
Oct-11		1,220,000	1,220,000	370,000												4,865,000	145,095,000
Apr-12		1,220,000	1,220,000	370,000												4,865,000	150,000,000
Oct-12		1,220,000	1,220,000	370,000												4,865,000	154,865,000
Apr-13		1,220,000	1,220,000	370,000												4,865,000	159,730,000
Oct-13		1,220,000	1,220,000	370,000												4,865,000	164,595,000
Apr-14		1,220,000	1,220,000	370,000												4,865,000	169,460,000
Oct-14		1,220,000	1,220,000	370,000												4,865,000	174,325,000
Apr-15		1,220,000	1,220,000	370,000												4,865,000	179,190,000
Oct-15		1,220,000	1,220,000	370,000												4,865,000	184,055,000
Apr-16		1,220,000	1,220,000	370,000												4,865,000	188,920,000
Oct-16		1,220,000	1,220,000	370,000												4,865,000	193,785,000
Apr-17		1,220,000	1,220,000	370,000												4,865,000	198,650,000
Oct-17		1,220,000	1,220,000	370,000												4,865,000	203,515,000
Apr-18		1,220,000	1,220,000	370,000												4,865,000	208,380,000
Oct-18		1,220,000	1,220,000	370,000												4,865,000	213,245,000
Apr-19		1,220,000	1,220,000	370,000												4,865,000	218,110,000
Oct-19		1,220,000	1,220,000	370,000												4,865,000	222,975,000

Repaid as of 4/1/2013 \$ 7,020,000 \$ 5,555,000 \$ 10,200,000 \$ 6,850,000 \$ 6,075,000 \$ 7,065,000 \$ 13,715,000 \$ 10,975,000 \$ 8,530,000 \$ 9,420,000 \$ 10,135,000 \$ 11,830,000 \$ 11,885,000 \$ 10,255,000 \$ 14,725,000 \$ 9,815,000 \$ 182,100,000 \$

Outstanding as of 4/1/13 \$ (7,020,000) \$ (5,555,000) \$ (10,200,000) \$ (6,850,000) \$ (6,075,000) \$ (7,065,000) \$ (13,715,000) \$ (10,975,000) \$ (8,530,000) \$ (9,420,000) \$ (10,135,000) \$ (11,830,000) \$ (11,000,000) \$ (7,190,000) \$ (3,075,000) \$ (1,305,000) \$ (157,990,000)

* Rolloff Bonds

City and County of San Francisco Finance Corporation
 Lease Revenue Bonds, Series 2013A
 Equipment Purchase

Dept.	Equipment	Units	Unit Cost	Total Cost	Dept. Total	Equip. Budget #	Estimated Delivery Date
ADM	E150 Wgn	2	28,508.27	57,016.53		AD1301	11/01/13
ADM	Colorado	1	22,041.01	22,041.01		AD1302	10/01/13
ADM	Prius	1	25,073.82	25,073.82		AD1303	11/01/13
ADM	Colorado	1	20,408.34	20,408.34		AD1304	10/01/13
ADM	FORD F-150	1	21,080.90	21,080.90	145,620.59	AD1306	11/01/13
APD	Chevy Caprices	7	25,073.82	175,516.74	175,516.74	AP1301	06/30/13
CAT	Prius	5	25,073.82	125,369.10	125,369.10	CT1301	05/01/13
DAT	Police Pursuit Vehicle - Caprice	5	29,380.58	146,902.90		DA1302	06/15/13
DAT	Vehicle (Insight)	1	21,662.48	21,662.48	168,565.38	DA1303	05/01/13
DPH	Prius (Formerly City vehicle for Mosaic program)	1	25,073.82	25,073.82		MH1301	06/13/12
DPH	Thompson retractor liver transplant	1	94,178.00	94,178.00		GH1316	05/01/13
DPH	Multi-headed conference scope	1	48,120.84	48,120.84		GH1317	05/01/13
DPH	E150 Wgn	1	24,441.25	24,441.25		GH1318	05/01/13
DPH	E350 Wgn	1	25,765.04	25,765.04		GH1319	05/01/13
DPH	Explorer	1	27,473.37	27,473.37		GH1320	05/01/13
DPH	E150 Wgn	1	24,441.25	24,441.25		LH1305	06/13/13
DPH	Prius	1	25,073.82	25,073.82		LH1306	06/13/13
DPH	E150 Wgn	1	24,441.25	24,441.25		MH1302	06/13/13
DPH	E350 Wgn	1	25,765.04	25,765.04		MH1303	06/13/12
DPH	Vehicle (Insight)	4	21,662.48	86,649.94		MH1304	06/13/13
DPH	Prius	1	25,073.82	25,073.82		MH1305	06/13/13
DPH	E150 Wgn	2	24,441.25	48,882.49		CH1301	06/01/13
DPH	Prius	1	25,073.82	25,073.82		CH1302	06/01/13
DPH	Colorado	3	20,408.34	61,225.03		CH1303	06/01/13
DPH	Vehicle (Insight)	2	21,662.48	43,324.97		CH1304	06/01/13
DPH	Prius	4	25,073.82	100,295.28		CH1305	06/01/13
DPH	Colorado	7	20,408.34	142,858.40		CH1306	06/01/13
DPH	Vehicle (Insight)	1	21,662.48	21,662.48	899,819.89	CH1307	06/01/13
DPW	Back-hoe ROPS FOPS	1	124,775.00	124,775.00		PW1303	06/28/13
DPW	Pothole Truck crew Cag Heated Bed 5 YDS	1	174,142.50	174,142.50		PW1304	02/26/14
DPW	3/4 Ton Pick Up Truck	1	38,669.40	38,669.40		PW1305	05/15/13
DPW	Green Machine Sweeper Large	1	117,730.10	117,730.10		PW1306	06/02/14
DPW	3/4 Ton Pick Up Truck	1	38,669.40	38,669.40		PW1307	05/15/13
DPW	10 Wheel Dump Truck 12 YD Bed	3	146,475.00	439,425.00		PW1308	06/28/13
DPW	Concrete mixture Truck	1	184,450.00	184,450.00		PW1309	01/24/14
DPW	Steamfitter Shop 1 Ton Pickup Utility Bed	1	35,805.00	35,805.00		PW1310	07/31/13
DPW	Ford 1/2 Ton Pickup	1	46,391.56	46,391.56		PW1311	10/11/13
DPW	1 Ton Flat Bed 12" Wtr. Unit lift gate Aux Fuel Tanks	1	48,825.00	48,825.00		PW1312	07/31/13
DPW	3/4 Ton Pick Up Truck	2	38,669.40	77,338.80		PW1313	05/15/13
DPW	GMC Flat Bed Truck-Side Gates-Lift Gate	1	60,760.00	60,760.00		PW1314	08/30/13
DPW	Caterpillar Whl loader 2 YD	1	336,350.00	336,350.00	1,723,331.76	PW1315	09/29/13
DSS	Ford Transit Connect Wagons	9	39,740.56	357,665.04		SS1302	01/01/14
DSS	Toyota Prius Hybrid	3	25,073.82	75,221.46	432,886.50	SS1303	11/01/13
ECD	Ford Utility Police Interceptor	1	29,605.79	29,605.79	29,605.79	EC1301	06/30/13
FIR	Aerial Ladder Truck	2	920,829.00	1,841,658.00		FD1302	03/15/14
FIR	Fire Engine	4	501,145.00	2,004,580.00	3,846,238.00	FD1303	01/05/14

JUV	Prius	4	25,073.82	100,295.28	100,295.28	JU1302	07/15/13
PDR	Toyota Prius	5	25,073.82	125,369.10	125,369.10	PU1301	05/01/13
POL	Marked Police Vehicles	15	54,250.00	813,750.00		PD1302	06/01/13
POL	Prisoner Transport Vans	2	37,975.00	75,950.00	889,700.00	PD1303	09/13/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1307	06/15/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1308	06/15/13
REC	TOYOTA PRIUS	1	25,073.82	25,073.82		RP1309	06/15/13
REC	CHEVY COLORADO	1	21,985.24	21,985.24		RP1310	06/15/13
REC	CHEVY COLORADO	1	20,732.37	20,732.37		RP1311	06/15/13
REC	TORO GREENS MOWER GR3150	1	38,096.92	38,096.92		RP1312	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	29,715.28	29,715.28		RP1313	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1314	06/15/13
REC	TORO INFIELD PRO 5040	1	22,408.30	22,408.30		RP1315	06/15/13
REC	FORD F-350	1	35,214.98	35,214.98		RP1316	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1317	06/15/13
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07	47,049.07		RP1318	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1319	06/15/13
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07	47,049.07		RP1320	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	30,315.46	30,315.46		RP1321	06/15/13
REC	TORO GROUNDSMASTER 3280D	1	23,529.99	23,529.99		RP1322	06/15/13
REC	FORD F-150 XL	1	25,997.55	25,997.55		RP1323	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	26,778.83	26,778.83		RP1324	06/15/13
REC	TORO WORKMAN HDX, 4WD	1	23,464.34	23,464.34		RP1325	06/15/13
REC	FORD F-250	1	37,029.52	37,029.52		RP1326	06/15/13
REC	TORO WORKMAN	1	29,943.97	29,943.97		RP1327	06/15/13
REC	CHEVY COLORADO	1	21,989.99	21,989.99		RP1328	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1329	06/15/13
REC	TORO WORKMAN	1	29,943.97	29,943.97		RP1330	06/15/13
REC	TORO WORKMAN	1	23,464.34	23,464.34		RP1331	06/15/13
REC	MULTI PRO 5800	1	54,665.19	54,665.19		RP1332	06/15/13
REC	FORD F-250	1	36,747.14	36,747.14		RP1333	06/15/13
REC	FORD F-250, 4WD	1	32,563.76	32,563.76		RP1334	06/15/13
REC	55' AERIAL LIFT	1	265,825.00	265,825.00		RP1335	06/15/13
REC	CHEVY COLORADO	1	23,501.82	23,501.82		RP1336	06/15/13
REC	FORD F-250, 4WD	1	40,490.78	40,490.78		RP1337	06/15/13
REC	FORD E-350, CNG	1	44,453.68	44,453.68		RP1338	06/15/13
REC	CHEVY COLORADO	1	25,655.30	25,655.30		RP1339	06/15/13
REC	CHEVY COLORADO	1	22,557.93	22,557.93		RP1340	06/15/13
REC	FORD F-150	1	29,300.01	29,300.01		RP1341	06/15/13
REC	FORD F-250, 4WD	1	31,343.74	31,343.74		RP1342	06/15/13
REC	FORD F-150	1	29,300.01	29,300.01		RP1343	06/15/13
REC	FORD E-350, CNG	1	44,453.68	44,453.68		RP1344	06/15/13
REC	CHEVY COLORADO	1	21,506.03	21,506.03	1,432,717.67	RP1345	06/15/13
REG	E150 Wgn	1	24,441.25	24,441.25		RE1304	06/01/13
REG	Vehicle (Insight)	1	21,662.48	21,662.48		RE1305	06/01/13
REG	FORD F-150	1	43,123.42	43,123.42	89,227.15	RE1306	06/01/13
SHF	Ford Police Interceptor Vehicle	1	32,550.00	32,550.00	32,550.00	SH1303	06/01/13
TIS	Prius	1	27,473.37	27,473.37		TI1322	09/01/13
TIS	Prius	1	27,473.37	27,473.37	54,946.74	TI1323	09/01/13
		165		10,271,759.70	10,271,759.70		

Fiscal Year	Authorized Lease Revenue Bonds	Issued
1990-91		\$7,304,707
1991-92	Up to	10,000,000
1992-93	Up to	10,200,000
1993-94	Up to	7,000,000
1994-95	Up to	6,500,000
1995-96	Up to	7,065,000
1996-97	Up to	-
1997-98	Up to	14,000,000
1998-99	Up to	11,500,000
1999-00	Up to	9,800,000
2000-01	Up to	-
2001-02	Up to	9,000,000
2002-03	Up to	11,750,000
2003-04	Up to	10,395,000
2004-05	Up to	11,500,000
2005-06	Up to	10,750,000
2006-07	Up to	13,100,000
2007-08	Up to	13,500,000
2008-09	Up to	-
2009-10	Up to	11,500,000
2010-11	Up to	16,500,000
2011-12	Up to	10,500,000
2012-13	Up to	\$12,500,000
TOTAL		\$214,364,707
		\$182,100,000

Source: City and County of San Francisco Finance Corporation

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2013

NEW ISSUE - BOOK-ENTRY ONLY

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

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.



[\$Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2013A
(EQUIPMENT PROGRAM)

Dated: Date of Delivery

Due: April 1 and October 1, see 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 Bonds captioned above (the "Bonds") are being issued to: (i) ~~finance or refinance~~ the acquisition and installation of certain equipment (the "Equipment" or the "Project"); (ii) pay costs associated with the issuance of the Bonds; (iii) fund the Series 2013A Reserve Account established under the Indenture for the Bonds; (iv) fund the Working Capital Fund established under the Indenture; and (v) fund capitalized interest payable with respect to a portion of the Bonds through August 1, 2014. See "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds are issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Twentieth Supplemental Indenture, dated as of May 1, 2013 (collectively, the "Indenture"), by and between the City and County of San Francisco Finance Corporation (the "Corporation"), and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City and County of San Francisco (the "City"). See "THE BONDS – Authority For Issuance." Principal of and interest on the Bonds are payable from certain funds held under the Indenture, including principally Base Rental payable by the City related to the Equipment pursuant to an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 19, dated as of May 1, 2013, by and between the Corporation, as lessor, and the City, as lessee (collectively, the "Lease"). The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and possession of the Equipment, and such obligation may be abated in whole or in part if there is substantial interference with the City's use and possession of the Equipment. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

The Bonds will be issued only as fully registered bonds without coupons, and when issued will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the Trustee to DTC, which in turn is required to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration" and APPENDIX F: "DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from their date of delivery. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2013. Principal is payable in accordance with the maturity schedule shown on the inside cover.

The Bonds are subject to special redemption prior to their respective stated maturities. The Bonds are not subject to optional redemption. See "THE BONDS – Redemption Provisions."

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY PURSUANT TO THE LEASE RELATED TO THE EQUIPMENT AND OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE INDENTURE PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE

* Preliminary, subject to 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 MAY __, 2013

LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE

(See inside cover)

The Bonds are offered when, as and if issued by the Corporation and accepted by the initial purchaser, subject to the approval of legality by Squire Sanders (US) LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Corporation by its counsel, Dannis Woliver Kelley, San Diego, California, and for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about May __, 2013.

Dated: May __, 2013

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.

MATURITY SCHEDULE

(Base CUSIP Number: _____¹)

SERIES 2013A BONDS

Maturity Date	Principal Amount	Interest Rate	Yield ²	CUSIP Suffix ¹
April 1, 2014				
October 1, 2014				
April 1, 2015				
October 1, 2015				
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation to give any information or to make any representation 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 or the Corporation. 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.

The information set forth herein other than that provided by the City or the Corporation, although obtained from sources which are believed to be reliable, 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 or the Corporation since the date hereof.

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

This Official Statement is not to be construed, as a contract with the initial purchaser 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 facts.

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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT 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.

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP numbers are provided for convenience of reference only. Neither the City, the Corporation nor the initial purchaser take any responsibility for the accuracy of such numbers.

² Reoffering prices/yields furnished by the initial purchaser. Neither the Corporation nor the City takes any responsibility for the accuracy thereof.

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

BOARD OF DIRECTORS

Pamela S. Jue, *President*
Arnold Laub, *Chief Financial Officer*
Ken Cleaveland, *Secretary*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President, District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Katy Tang, *District 4*
London Breed, *District 5*
Jane Kim, *District 6*

Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*

PROFESSIONAL SERVICES

Bond Counsel
Squire Sanders (US) LLP
San Francisco, California

Financial Advisor
Kitahata & Company
San Francisco, California

Corporation Counsel
Dannis Woliver Kelley
San Diego, California

Disclosure Counsel
Hawkins Delafield & Wood LLP
San Francisco, California

Trustee
U.S. Bank National Association
San Francisco, California

TABLE OF CONTENTS

	Page
INTRODUCTION	3
THE CITY AND COUNTY OF SAN FRANCISCO	4
The Corporation	5
[RECENT DEVELOPMENTS]	Error! Bookmark not defined.
THE BONDS	5
Authority for Issuance	5
Purpose	6
Form and Registration	6
Payment of Principal and Interest	6
Redemption Provisions	6
ESTIMATED SOURCES AND USES OF FUNDS	8
DEBT SERVICE SCHEDULE	8
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	9
Source of Payment	9
Covenant to Budget	9
Base Rental Payments; Additional Rental; Capitalized Interest	10
Limited Obligation	10
Abatement of Base Rental Payments	11
Series 2013A Reserve Account	11
Maintenance and Repairs	12
Insurance	12
Investment of Funds Under Indenture	12
THE PROJECT	13
Description of the Equipment Acquisition Program	13
CERTAIN RISK FACTORS	15
General	15
Rental Payments Not a Debt of the City	16
Additional Obligations	16
Abatement	16
Reserve Fund	17
Limited Recourse on Default; Re-letting of Equipment	17
Enforcement of Remedies	18
No Acceleration on Default	18
Risk Management and Insurance	18
State Law Limitations on Appropriations	18
Changes in Law	19
No Liability of Corporation to the Owners	19
Bankruptcy	19
Seismic Risks	20
State of California Financial Condition	20
U.S. Government Finances	21
Other	21
THE CORPORATION	21
Outstanding Debt	22
TAX MATTERS	22
Original Issue Discount and Original Issue Premium	Error! Bookmark not defined.
OTHER LEGAL MATTERS	24
PROFESSIONALS INVOLVED IN THE OFFERING	25
CONTINUING DISCLOSURE	25
ABSENCE OF LITIGATION	26
Corporation	26
City	26

RATINGS	26
SALE OF THE BONDS	26
MISCELLANEOUS	28
APPENDIX A CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES	A-1
APPENDIX B COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012.....	B-1
APPENDIX C CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY	C-1
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE.....	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	E-1
APPENDIX F DTC AND THE BOOK-ENTRY ONLY SYSTEM	F-1
APPENDIX G PROPOSED FORM OF OPINION OF BOND COUNSEL	G-1

[Par Amount]
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2013A
(EQUIPMENT PROGRAM)

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco Finance Corporation (the "Corporation") of the above-named Bonds (the "Bonds"). Any capitalized term not defined herein shall have the meaning given to such term in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – CERTAIN DEFINED TERMS."

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

Overview of the Transaction. The Bonds are being sold to provide funds to finance or refinance the acquisition and installation of certain equipment (as more fully described herein, the "Equipment") to be leased to the City and County of San Francisco (the "City"). The City, exercising its Charter powers to lease-purchase equipment through a nonprofit corporation, will lease the Equipment from the Corporation for the general governmental purposes of the City. The City will be obligated under the Lease (as hereinafter defined) to pay Base Rental payments and other payments to the Corporation related to the Equipment each year during the term of the Lease, subject to certain conditions under which the obligation to pay Base Rental may be abated as discussed herein. Pursuant to the Indenture (as hereinafter defined), the Corporation has assigned to U.S. Bank National Association, as trustee (the "Trustee"), for the benefit of the Owners, substantially all of its rights under the Lease (excluding certain rights as set forth herein) including its right to receive and collect Base Rental payments from the City under the Lease and its right as may be necessary to enforce payment of the Base Rental payments. The Trustee will apply Base Rental it receives to pay principal and interest on the Bonds when due according to the Indenture, which governs the security and terms of payment of the Bonds. The Corporation has entered into an agreement with the City pursuant to which the City is appointed as agent of the Corporation in connection with the acquisition and installation of the Equipment.

Guide to this Official Statement. The Project and the Equipment are described herein in the section "THE PROJECT." The application of the proceeds of sale of the Bonds is described in the section "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Bonds and repayment thereof and security for the Bonds are described in the sections "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," and other sections in the front portion of this Official Statement. Current information about the Corporation is provided in the section "THE CORPORATION." Current information about the City, its finances and governance, are provided in Appendix A. The City's most recent comprehensive annual financial report appears in Appendix B. A summary of the Indenture and the Lease is provided in Appendix D.

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

Quotations from and summaries and explanations of the Bonds, the Indenture, the Lease, the resolutions providing for the issuance of the Bonds, provisions of the constitution and statutes of the State of California (the "State"), the City's charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Office of Public Finance, City Hall Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4682. Reference is made herein to various other documents,

* Preliminary, subject to change.

reports, websites, etc., which are not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's most recently completed and adopted Comprehensive Annual Financial Report (the "CAFR") for fiscal year 2011-12 estimated the City's fiscal year 2011-12 population at 820,466.

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 retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2011, approximately 16.35 million people visited the City and spent an estimated \$8.46 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2011-12 was \$74,040. The San Francisco Unified School District operates 71 elementary and K-8 school sites, 13 middle schools, 17 senior high schools (including two continuation schools and an independent study school), and 36 state-funded preschool sites, and sponsors 9 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2011-12, SFO serviced approximately 43.1 million passengers and handled 385,113 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (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, operated by the City, 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.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's fiscal year 2012-13 adopted budget includes \$7.35 billion of expenditures and reserves, of which \$3.49 billion was allocated to the General Fund of the City and \$3.86 billion was allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, and the San Francisco Public Utilities

Commission. The CAFR estimates that the City employed 28,073 full-time-equivalent employees at the end of fiscal year 2011-12. According to the Controller of the City (the "Controller"), fiscal year 2012-13 total net assessed valuation of taxable property in the City is approximately \$165.04 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The Corporation

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors. The purpose of the Corporation is to provide a means to finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes. For additional information on the Corporation, see "THE CORPORATION."

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by the Twentieth Supplemental Indenture, dated as of May 1, 2013 (the "Twentieth Supplemental Indenture"), by and between the Corporation and the Trustee (collectively, the "Indenture"), and in accordance with the Charter of the City and County of San Francisco (the "Charter"). Principal of and interest on the Bonds are payable from, and are secured by a charge and lien on, the Base Rental payments payable by the City relating to the Equipment pursuant to an Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 19, dated as of May 1, 2013 (the "Equipment Lease Supplement"), by and between the Corporation, as lessor, and the City, as lessee (collectively, the "Lease"), and amounts held in certain funds and accounts established pursuant to the Indenture (except the Rebate Fund). The City is obligated under the Lease to pay Base Rental in consideration for its use and right of possession of the Equipment (as hereinafter defined).

The Corporation has entered into an Agency Agreement, dated as of January 1, 1991 (the "Agency Agreement"), with the City pursuant to which the City is appointed as agent of the Corporation in connection with the acquisition and installation of the Equipment.

The Twentieth Supplemental Indenture and the Equipment Lease Supplement were approved by the Board of Supervisors of the City by its Resolution No. _____, adopted on April __, 2013, and signed by the Mayor on April __, 2013 (the "Resolution"). The Resolution authorized the issuance of up to \$12,500,000 aggregate principal amount of the Bonds under the Twentieth Supplemental Indenture.

Prior to June 1990, the City Charter prohibited the City from engaging in the lease-purchase of equipment or real property through public entities or nonprofit corporations using tax-exempt obligations without a vote of the electorate. On June 5, 1990, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to \$20 million of equipment through a nonprofit corporation using tax-exempt obligations without an additional vote of the electorate. The principal amount of the obligations with respect to lease financings under Proposition C may not exceed in the aggregate at any time the principal amount of \$20 million, such amount to be increased by five percent each fiscal year, commencing with fiscal year 1990-1991. As of April 2, 2013, the maximum amount of obligations permitted under Proposition C and the Indenture was \$58,505,214, and \$24,110,000 principal amount of lease revenue bonds were outstanding under Proposition C and the Indenture.

Purpose

The proceeds of the Bonds will be used to: (i) finance or refinance the acquisition and installation of certain equipment (the "Equipment" or the "Project"); (ii) pay costs associated with the issuance of the Bonds; (iii) fund the Series 2013A Reserve Account established under the Indenture for the Bonds; (iv) fund the Working Capital Fund established under the Indenture; and (v) fund capitalized interest payable with respect to a portion of the Bonds through August 1, 2014. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of proceeds of sale of the Bonds.

Form and Registration

The Bonds are being issued in the aggregate principal amount shown on the cover hereof, in the denomination of \$5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds are issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, 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 F: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The principal of the Bonds shall be payable on April 1 and October 1 of each year shown on the inside cover hereof, or upon redemption prior thereto, and shall evidence and represent the sum of the principal components of the Base Rental payments. Payment of the principal and premium, if any, of the Bonds upon their respective payment dates or redemption prior thereto, will be made upon presentation and surrender of such Bonds at the principal corporate trust office of the Trustee in San Francisco, California. Principal and premium shall be payable in lawful money of the United States of America.

Interest on the Bonds, until the maturity or earlier redemption thereof, is payable on April 1 and October 1 of each year (each an "Interest Payment Date"), beginning on October 1, 2013, and continuing to and including their payment dates or until redemption prior thereto, and shall evidence and represent the sum of the interest components of the Base Rental payments. Interest with respect to the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. Bonds authenticated and registered on any date prior to the close of business on the first Record Date (as defined below) shall bear interest from the date of the Bonds. Bonds authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication; provided, however, that if, at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The interest represented by the Bonds is payable by check mailed to the Owners at the addresses appearing on the Bond registration books as of the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date (the "Record Date"); provided that upon the written request of at least \$1,000,000 in aggregate principal amount of Bonds on or prior to the applicable Record Date, such payment shall be made by wire transfer in immediately available funds to an account with a financial institution within the United States of America designated by such owner.

Redemption Provisions

No Optional Redemption

The Bonds are not subject to optional redemption.

Special Redemption

The Bonds are subject to special redemption on any date prior to their maturity, as a whole, or in part, from prepaid Base Rental payments made by the City from the net proceeds of any commercial insurance, self-insurance or condemnation award with respect to the Equipment (the "Net Proceeds"), if such Net Proceeds are not used to repair, replace or restore the Equipment in accordance with the provisions of the Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

The Bonds are also subject to redemption on the first practicable date for which notice of redemption can be given following receipt by the Trustee of a Certificate of Completion, in part, from moneys remaining in the Series 2013A Project Account within the Acquisition Fund and transferred to the Redemption Fund, if any, and from certain additional amounts transferred to the Trustee by the City pursuant to the Lease, at a redemption price equal to the sum of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Bonds for Redemption

Whenever Bonds are redeemed in part, the Trustee shall select, at the written direction of the Corporation, the Bonds of each maturity to be redeemed so that the aggregate amounts of the Bonds which shall remain outstanding after such redemption date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental payments designated as the principal component to be thereafter payable pursuant to the Lease. Whenever less than all the outstanding Bonds of any maturity are to be redeemed on any one date, the Trustee shall select the Bonds of such maturity to be redeemed by lot in any manner that the Trustee deems fair, and the Trustee shall promptly notify the Corporation and the City in writing of the numbers of the Bonds so selected for redemption.

Notice of Redemption

The Trustee is required to mail notice of redemption by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the redemption date, to the Owners of the Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee as of the close of business on the day before such notice of redemption is given. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein and APPENDIX E: "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

So long as the Bonds are in book-entry only form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Bonds, and not directly to the Beneficial Owners.

Each such notice of redemption shall specify: (a) the Bonds or designated portions thereof which are to be redeemed, including the series designations of such Bonds, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of any paying agent, (d) the redemption price, (e) the CUSIP numbers assigned to the Bonds to be redeemed, (f) the numbers of the Bonds to be redeemed, and (g) the interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Each such notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, and that from and after such date interest represented thereby shall cease to accrue and be payable. Neither the failure to receive such notice nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, nor prevent the interest on such Bonds from ceasing to accrue upon the stated redemption date.

Effect of Redemption

When notice of redemption has been duly given as provided in the Indenture and moneys for the payment of the redemption price of the Bonds to be redeemed are held by the Trustee, then, from and after such redemption date, interest on such Bonds will cease to accrue and such Bonds will cease to be entitled to any benefit or security under the Indenture except for the right of the Owners to receive payment of the redemption price thereof.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

Par Amount
Original Issue Premium
Less Purchaser's Discount
Total Sources

Uses of Funds:

Series 2013A Project Account
Series 2013A Interest Account⁽¹⁾
Series 2013A Costs of Issuance Account⁽²⁾
Series 2013A Reserve Account
Working Capital Fund
Total Uses

⁽¹⁾ Represents capitalized interest on a portion of the Bonds through August 1, 2014.

⁽²⁾ Includes fees for services of rating agencies, Financial Advisor, Bond Counsel, Disclosure Counsel, costs of the City, printing, and other miscellaneous costs associated with the issuance of the Bonds.

DEBT SERVICE SCHEDULE

The Lease requires the City to make Base Rental payments on each March 15 and September 15, commencing September 15, 2013, in payment for the use and possession of the Equipment during the term of the Lease.

The Indenture requires that Base Rental payments be deposited in the Series 2013A Account in the Base Rental Payment Fund maintained by the Trustee. Pursuant to the Indenture, on April 1 and October 1 of each year, commencing on October 1, 2013, the Trustee will apply amounts on deposit in such Series 2013A Account as necessary to make principal and interest payments with respect to the Bonds as the same shall become due and payable, as shown in the following table. Capitalized interest payable from a portion of the proceeds of the Bonds deposited in such Series 2013A Account concurrently with the issuance of the Bonds will be applied to pay interest on a portion of the Bonds through August 1, 2014.

**City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2013A (Equipment Program)
Debt Service Schedule**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Fiscal Year Total</u>
October 1, 2013				
April 1, 2014				
October 1, 2014				
April 1, 2015				
October 1, 2015				
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				
Total				

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Source of Payment

Pursuant to the Indenture, the Corporation has granted to the Trustee, for the benefit of the Bondholders, a security interest in all amounts on hand from time to time in certain funds and accounts established under the Indenture (excluding the Rebate Fund) as security for the Bonds, including (i) all Base Rental payments received by the Trustee related to the Equipment; (ii) all of the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund) as security for the Bonds; and (iii) all of the right, title and interest of the Corporation in the Lease and the Equipment. The City will pay to the Corporation the Base Rental payments to the extent required under the Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the principal of and interest on the Bonds. The City is required to make Base Rental payments from the City's General Fund and any other funds legally available for such payments.

Covenant to Budget

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental (collectively, the "Rental Payments") in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law, and it is the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease.

If the City defaults on its covenant in the Lease to include all Rental Payments in the applicable annual budget and such default shall have continued for 30 days or more, the Trustee may either terminate the Lease and relet or sell the Equipment or any component thereof or may retain the Lease and hold the City liable for all Rental Payments on an annual basis.

For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2012." For a discussion of the City's investment policy regarding pooled cash, see

APPENDIX C: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Base Rental Payments; Additional Rental; Capitalized Interest

Base Rental Payments. The City has agreed under the Lease that so long as the City has the right to use and possess the Equipment, it will make Base Rental payments, which are calculated to be at least sufficient, in both time and amount, to equal debt service requirements on the Bonds, from any legally available funds of the City. The Trustee shall collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation must immediately be paid by the Corporation to the Trustee.

The Base Rental payable by the City shall be paid in arrears and shall be due on March 15 and September 15 in each year commencing September 15, 2013; provided, that any such payment shall be for that portion of the applicable period that the City has use and possession of all or a portion of the Equipment. In the event that during any such period the City does not have use and possession of all or a portion of the Equipment due to material damage to, destruction of or theft of the Equipment, the obligation of the City to make Base Rental payments is subject to abatement as described under "– Abatement of Base Rental Payments," below. See also, "CERTAIN RISK FACTORS – Abatement."

All Base Rental payments shall be held in trust by the Trustee in the Series 2013A Account of the Base Rental Payment Fund to be used: first, for payment of interest on the Bonds; second, for payment of the principal of the Bonds as it becomes payable; and third, for replenishment of the Series 2013A Reserve Account. After making any deposits necessary for the foregoing purposes, the Trustee will transfer any amounts remaining in the Series 2013A Account to the Surplus Fund. Any amounts in the Surplus Fund not required for payment of principal of and interest on the Bonds, upon request by the Corporation, may be used for redemption or purchase of Bonds or transferred to the Working Capital Fund or to the City.

Additional Rental. Additional Rental payments due from the City to the Corporation include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Corporation in connection with the Indenture, deposits required to be made to the Rebate Fund, if any, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture. The City is also responsible for repair and maintenance of the Equipment during the term of the Lease.

Capitalized Interest. Within the Series 2013A Account of the Base Rental Payment Fund there is established an account designated as the "Series 2013A Interest Account." Upon delivery of the Bonds, a portion of the proceeds of the sale of the Bonds in the amount of \$ _____ will be deposited into the Series 2013A Interest Account and credited as Base Rental paid by the City on each Interest Payment Date with respect to a portion of the Bonds through August 1, 2014.

Limited Obligation

THE BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE RELATED TO THE EQUIPMENT AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE INDENTURE, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE INDENTURE PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE INDENTURE. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION IN RESPECT OF THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION

OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Abatement of Base Rental Payments

After the Scheduled Completion Date (as defined herein), the City's obligation under the Lease to make Rental Payments shall be abated during any period in which, by reason of any damage, theft, or destruction (other than by condemnation as provided in the Lease), there is substantial interference with the use and possession of the Equipment, or any portion thereof, by the City, except to the extent of (i) available amounts held by the Trustee in the Series 2013A Account of the Base Rental Payment Fund or in the Series 2013A Reserve Account, (ii) amounts, if any, received in respect of rental interruption insurance or liquidated damages with respect to the Equipment, and (iii) amounts otherwise available to the Trustee for payments in respect of the Bonds. The amount of abatement shall be such that the resulting Rental Payments with respect to the Equipment represent fair consideration for the use and possession of the portion of the Equipment as to which such damage, theft or destruction did not cause such substantial interference with the City's use and possession. Abatement of Base Rental payments shall commence on the date of such damage, theft or destruction and end on the date of completion by the Corporation of the work of repair or replacement of the damaged, stolen or destroyed portion of the Equipment. In the event of such an abatement, the term of the Lease with respect to any piece of Equipment may be extended until all amounts due under the Lease and the Indenture are fully paid, but in no event later than the September 30 following the end of the original useful life of such piece of Equipment.

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Lease requires the City to maintain rental interruption insurance for any piece of Equipment commencing as of the date of procurement of such Equipment in an amount not less than the total Rental Payments payable by the City with respect to such Equipment for a period of at least 12 months. See "- Insurance" below. During any period of abatement with respect to all or any part of the Equipment, the Trustee is required to use the proceeds of such rental interruption insurance to make payments of principal and interest on the Bonds. In addition, the Indenture establishes the Series 2013A Reserve Account and requires the Trustee to use any moneys on deposit in the Series 2013A Reserve Account to make payments of principal of and interest on the Bonds in the event amounts on deposit in the Series 2013A Account of the Base Rental Payment Fund are insufficient therefor. See "- Series 2013A Reserve Account," below.

Series 2013A Reserve Account

The Indenture establishes the Series 2013A Reserve Account to be held by the Trustee, which will be initially funded from proceeds of the Bonds in an amount equal to the Series 2013A Reserve Requirement, initially \$_____ (representing ten percent (10%) of the outstanding principal amount of the Bonds). Such moneys will be held in trust as a reserve for the payment when due of all debt service payments on the Bonds. To reflect the declining debt service structure of the Bonds, the Series 2013A Reserve Requirement will be reduced to the following amounts on the following dates (and such reductions will be used to pay portions of the principal and interest on the Bonds due on such dates) unless the Trustee determines, as of the date of any such reduction, that insufficient funds will be on deposit in the Series 2013A Account to pay any interest or principal due (or past due) on the Bonds on such dates:

<u>Date</u>	<u>Amount</u>
October 1, 2014	
October 1, 2015	
October 1, 2016	
October 1, 2017	
October 1, 2018	

Any amounts on deposit in the Series 2013A Reserve Account in excess of the Series 2013A Reserve Requirement will be transferred to the Series 2013A Account of the Base Rental Payment Fund.

Maintenance and Repairs

The Lease requires the City, at its own expense, to maintain the Equipment in good repair, working order and condition and to make or cause to be made all necessary and proper repairs and replacements of the Equipment. In addition, the City is required to purchase and maintain rental interruption insurance as well as fire, theft, vandalism, flood and extended coverage insurance on the Equipment. The City has also agreed to insure or self-insure against claims based on comprehensive general liability, automobile liability and physical property damage which result from its operations, including but not limited to its use of the Equipment. See "- Insurance" below.

Insurance

The Lease requires the City to maintain or cause to be maintained throughout the terms of the Lease: (i) insurance against rental interruption or loss of use and possession of the Equipment in an amount not less than the total Rental Payments payable by the City with respect to the Equipment for a period of at least twelve months; (ii) insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood on the Equipment in an amount equal to the lesser of 100% of the full replacement value of the Equipment or the aggregate principal amount of the outstanding Bonds (subject to certain deductibles); (iii) workers' compensation insurance covering all of the City's employees working on, in, near or about the Equipment, in the same amount and type as other workers' compensation maintained by the City for similar employees doing similar work; (iv) standard comprehensive general liability insurance or the equivalent covering direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$2,000,000 for personal injury or death of two or more persons in each accident or event, and in a minimum amount of \$200,000 (subject to a deductible not to exceed \$5,000) for property damage; and (v) standard automobile liability insurance covering direct or contingent loss or liability for damages for injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits and maximum deductibles as described in clause (iv).

The City is not required to obtain the insurance coverage described in clauses (i), (ii) or (v) above for any item of equipment until the date the Equipment is acquired under the Lease. The insurance coverage described in clauses (iv) and (v) above may each be in the form of a \$2,000,000 single limit policy covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City. The Lease permits the City to provide a self-insurance method or plan of protection in lieu of any of the insurance described in clauses (iii) through (v) above, but only if the City obtains and provides the Trustee and the Corporation with a certificate of the Risk Manager of the City to the effect that such method or plan (and the amount contained in the related self-insurance fund) is reasonably sufficient to provide coverage in the same scope and amount. The City must obtain a new certificate of the Risk Manager for each twelve-month period. Amounts paid from any self-insurance method or plan are deemed insurance proceeds for purposes of the Lease and the Indenture. The City expects to self-insure in lieu of the insurance described in clauses (iii) through (v) above. Net Proceeds of the insurance described in clause (i) above are required to be applied to the payment of Rental Payments and Net Proceeds of insurance described in clause (ii) above are required to be applied as described in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – The Lease – Damage, Destruction and Condemnation."

Investment of Funds Under Indenture

Money held by the Trustee in any fund or account held under the Indenture will be invested by the Trustee at the Written Request of the Corporation only in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Indenture. All investment earnings on amounts on deposit in the Series 2013A Accounts in the Acquisition Fund, the Base Rental Payment Fund and the Costs of Issuance Fund held by the Trustee shall be retained in the account of origin. Notwithstanding the foregoing, if the Corporation elects to postpone the acquisition of any item or items of Equipment pursuant to the Lease and delivers to the Trustee a Certificate of the Corporation that the Corporation has

elected to postpone the acquisition of any item or items of Equipment, and upon the receipt by the Trustee of a Written Request of the Corporation, investment earnings on moneys in the Series 2013A Account in the Acquisition Fund in the amount specified by the Corporation shall be transferred to the Series 2013A Interest Account.

THE PROJECT

Description of the Equipment Acquisition Program

Under the Lease, the City will lease various pieces of equipment from the Corporation (each piece individually a "Component", and collectively the "Equipment") for the general governmental purposes of the City. Under the Agency Agreement, the City will act as the agent of the Corporation in acquiring the Equipment. At the expiration of the Lease Term relating to a specific Component, title to such Component will vest in the City. The estimated cost of the various Components the City expects to acquire is as follows:

EQUIPMENT LIST

Equipment	# of Units	Estimated Total Cost	Lease Term (Years)
E150 WGN	2	\$57,016.53	3
COLORADO	1	22,041.01	3
PRIUS	1	25,073.82	3
COLORADO	1	20,408.34	3
FORD F-150	1	21,080.90	3
CHEVY CAPRICES	7	175,516.74	3
PRIUS	5	125,369.10	3
POLICE PURSUIT VEHICLE - CAPRICE	5	146,902.90	3
VEHICLE (INSIGHT)	1	21,662.48	3
PRIUS (FORMERLY CITY VEHICLE FOR MOSAIC PROGRAM)	1	25,073.82	3
GE VIVID E9 ULTRASOUND MACHINE	1	94,178.00	3
MULTI-HEADED CONFERENCE SCOPE	1	48,120.84	3
E150 WGN	1	24,441.25	3
E350 WGN	1	25,765.04	3
EXPLORER	1	27,473.37	3
E150 WGN	1	24,441.25	3
PRIUS	1	25,073.82	3
E150 WGN	1	24,441.25	3
E350 WGN	1	25,765.04	3
VEHICLE (INSIGHT)	4	86,649.94	3
PRIUS	1	25,073.82	3
E150 WGN	2	48,882.49	3
PRIUS	1	25,073.82	3
COLORADO	3	61,225.03	3
VEHICLE (INSIGHT)	2	43,324.97	3
PRIUS	4	100,295.28	3
COLORADO	7	142,858.40	3
VEHICLE (INSIGHT)	1	21,662.48	3
BACK-HOE ROPS FOPS	1	124,775.00	3
POTHOLE TRUCK CREW CAG HEATED BED 5 YDS	1	174,142.50	3
3/4 TON PICK UP TRUCK	1	38,669.40	3
GREEN MACHINE SWEEPER LARGE	1	117,730.10	3
3/4 TON PICK UP TRUCK	1	38,669.40	3
10 WHEEL DUMP TRUCK 12 YD BED	3	439,425.00	3
CONCRETE MIXTURE TRUCK	1	184,450.00	3
STEAMFITTER SHOP 1 TON PICKUP UTILITY BED	1	35,805.00	3

Equipment	# of Units	Estimated Total Cost	Lease Term (Years)
FORD 1/2 TON PICKUP	1	46,391.56	3
1 TON FLAT BED 12" WATERING UNIT LIFT			
GATE AUX FUEL TANKS	1	48,825.00	3
3/4 TON PICK UP TRUCK	2	77,338.80	3
GMC FLAT BED TRUK-SIDE GATES-LIFT GATE	1	60,760.00	3
CATERPILLER WHL LOADER 2 YD	1	336,350.00	3
FORD TRANSIT CONNECT WAGONS	9	357,665.04	3
TOYOTA PRIUS HYBRID	3	75,221.46	3
FORD UTLITIY POLICE INTERCEPTOR	1	29,605.79	3
AERIAL LADDER TRUCK	2	1,841,658.00	5
FIRE ENGINE	4	2,004,580.00	5
PRIUS	4	100,295.28	3
TOYOTA PRIUS	5	125,369.10	3
MARKED POLICE VEHICLES	15	813,750.00	3
PRISONER TRANSPORT VANS	2	75,950.00	3
TOYOTA PRIUS	1	25,073.82	3
TOYOTA PRIUS	1	25,073.82	3
TOYOTA PRIUS	1	25,073.82	3
CHEVY COLORADO	1	21,985.24	3
CHEVY COLORADO	1	20,732.37	3
TORO GREENS MOWER GR3150	1	38,096.92	3
TORO WORKMAN HDX, 4WD	1	29,715.28	3
TORO WORKMAN HDX, 4WD	1	23,464.34	3
TORO INFIELD PRO 5040	1	22,408.30	3
FORD F-350	1	35,214.98	3
FORD F-250	1	36,747.14	3
TORO 3420 TRIFLEX HYBRID	1	47,049.07	3
TORO WORKMAN HDX, 4WD	1	23,464.34	3
TORO 3420 TRIFLEX HYBRID	1	47,049.07	3
TORO WORKMAN HDX, 4WD	1	30,315.46	3
TORO GROUNDSMASTER 3280D	1	23,529.99	3
FORD F-150 XL	1	25,997.55	3
TORO WORKMAN HDX, 4WD	1	26,778.83	3
TORO WORKMAN HDX, 4WD	1	23,464.34	3
FORD F-250	1	37,029.52	3
TORO WORKMAN	1	29,943.97	3
CHEVY COLORADO	1	21,989.99	3
FORD F-250	1	36,747.14	3
TORO WORKMAN	1	29,943.97	3
TORO WORKMAN	1	23,464.34	3
MULTI PRO 5800	1	54,665.19	3
FORD F-250	1	36,747.14	3
FORD F-250, 4WD	1	32,563.76	3
55' AERIAL LIFT	1	265,825.00	3
CHEVY COLORADO	1	23,501.82	3
FORD F-250, 4WD	1	40,490.78	3
FORD E-350, CNG	1	44,453.68	3
CHEVY COLORADO	1	25,655.30	3
CHEVY COLORADO	1	22,557.93	3
FORD F-150	1	29,300.01	3
FORD F-250, 4WD	1	31,343.74	3
FORD F-150	1	29,300.01	3
FORD E-350, CNG	1	44,453.68	3

Equipment	# of Units	Estimated Total Cost	Lease Term (Years)
CHEVY COLORADO	1	21,506.03	3
E150 WGN	1	24,441.25	3
VEHICLE (INSIGHT)	1	21,662.48	3
FORD F-150	1	43,123.42	3
FORD POLICE INTERCEPTOR VEHICLE	1	32,550.00	3
PRIUS	1	27,473.37	3
PRIUS	1	27,473.37	3
	165	10,271,759.70	

To the extent items of Equipment are acquired for amounts less than the estimated cost shown, the City will either purchase additional items of Equipment that will be subject to and automatically be incorporated within the Lease or will redeem Bonds at par. See "THE BONDS – Redemption Provisions – Special Redemption" herein. To the extent that the items of Equipment cost more than estimated, the City may elect to purchase fewer items of Equipment than shown above. The City may, at any time during the Lease term, substitute items of Equipment if such substituted equipment has, in the aggregate, the same or longer useful life and the same or greater value than the original Equipment for which it is substituted. All substituted Equipment are subject to the Lease.

CERTAIN RISK FACTORS

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

General

The finances of the City are subject to a number of risks and challenges. These risks and challenges include recessions and declines in the local, national and global economies, budget cuts affecting the City at the State and federal level, budget challenges at the City level, rising pension and healthcare costs, labor relations, litigation, changes in law and voter initiatives, natural and man-made disasters and other factors.

In recent years, the United States and California economies have been in a deep recession. The City's finances have faced challenges arising from the economic recession and other factors. The City continues to experience high unemployment rates and hotel revenues, industry employment, retail sales, housing prices and residential and commercial rent remain significantly below their pre-recession peaks. The credit crisis related to the recession has resulted in reduced income from the City's investments, and the State's budget crisis has resulted in reduced funding to local governments, including the City.

The City expects to continue to face economic challenges over the next few years. Additional economic factors that could impact the City's finances include fluctuations in tax revenues, property tax appeals, and other State budget decisions. See "State of California Financial Condition" below, and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" for additional information on the City's finances and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental payments does not constitute an obligation of the City to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are payable solely from Base Rental payments made by the City relating to the Equipment pursuant to the Lease and amounts held in the Series 2013A Reserve Account and the Series 2013A Account in the Base Rental Payment Fund established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City shall be obligated to make such Rental Payments subject to the terms of the Lease, and neither the City nor any of its officers shall incur any liability or any other obligation with respect to the delivery of the Bonds.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Bonds. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued," "-- Overlapping Debt," and "-- Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2012."

Abatement

The obligation of the City under the Lease to make Base Rental payments is in consideration for the use and right of possession of the Equipment. The obligation of the City to make Base Rental payments may be abated in whole or in part if the City does not have full use and right of possession of any portion of the Equipment, and if the portion of the Equipment then available for beneficial use and possession by the City has an aggregate fair rental value below the amount of the applicable Base Rental payments. If all of the Equipment is not acquired, delivered, installed and accepted, the City may not be obligated to make any, or all, of the applicable Base Rental payments. However, the City has covenanted under the Lease and the Agency Agreement to acquire, deliver, and install the Equipment, and to cause such acquisition, delivery and installation to be completed, on or prior to June 2, 2014 (the "Scheduled Completion Date").

In the event Base Rental payments are abated, no assurances can be given that moneys on deposit in the Series 2013A Account of the Base Rental Payment Fund and the Series 2013A Reserve Account or proceeds of rental interruption insurance related to the Equipment will be sufficient to pay the debt service on the Bonds. In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Series 2013A Reserve Account after such payments may be less than the Series 2013A Reserve Requirement. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2013A Reserve Account to the Series 2013A Reserve Requirement.

The amount of Base Rental payments due under the Lease will be abated during any period in which by reason of damage, theft, destruction, condemnation or title defect there is substantial interference with the use and right of possession of the Equipment by the City. Such abatement shall continue for the period commencing with the date of such damage, theft, destruction, condemnation or title defect and shall end with the restoration of the Equipment or any portion thereof to useable condition or correction of the title defect. Series 2013A Reserve Account moneys and the proceeds of such rental interruption insurance may be used by the Trustee to make payments with respect to the Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the Bonds as such amounts become due.

If damage, destruction, condemnation or title defect with respect to the Equipment or any portion thereof results in abatement of Base Rental payments and moneys, if any, in the Series 2013A Reserve Account and any proceeds of such rental interruption insurance, are insufficient to make all payments with respect to the Bonds during the period that the Equipment, or portion thereof, is not available for use by the City, the City is not obligated to make such payments and Owners of the Bonds should not expect the City to make such payments, and no remedy will be available to the Trustee or the Owners and Beneficial Owners under the Lease or Indenture for nonpayment under such circumstances.

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

Reserve Fund

At the time of delivery of the Bonds, proceeds of the Bonds in the amount of \$_____ will be deposited in the Series 2013A Reserve Account. In the event of abatement or default, the amounts on deposit in the Series 2013A Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2013A Reserve Account to the Series 2013A Reserve Requirement.

Limited Recourse on Default; Re-letting of Equipment

The Lease and Indenture provide that, if there is a default by the City, the Trustee may take possession of and relet the Equipment. The amounts received from such reletting may be insufficient to pay the scheduled principal and interest on the Bonds when due. Due to the essential nature of the governmental function of some of the Equipment, it is not certain whether a court would permit the exercise of the remedies of repossession, reletting, or sale with respect thereto. Furthermore, the enforcement of any remedies provided in the Lease and in the Indenture could prove to be both expensive and time-consuming. The City is not required by the Lease or the Indenture, and cannot be compelled, to replenish the Series 2013A Reserve Account to the Series 2013A Reserve Requirement. In addition, the Indenture provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the Bonds to be includable in gross income for federal income tax purposes or to subject interest on the Bonds to State personal income taxes.

The Lease provides that any remedies on default shall be exercised by the Trustee, as assignee of the Corporation. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental when due, or in the event that the City fails to perform any other terms, covenants, conditions or agreements contained in the Lease and such failure shall have continued for 30 days or more, the Trustee or the Owners of not less than a majority in aggregate principal amount of Bonds then outstanding, shall be entitled, upon notice in writing to the City and the Corporation, (i) to terminate the Lease and to retake possession of the Equipment, (ii) without terminating the Lease, (A) to collect each installment of Rental Payments as it becomes due and enforce any other term or provision of the Lease to be kept or performed by the City and/or (B) to exercise any and all rights to retake possession of the Equipment, and (iii) to exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms of the Lease or to recover damages for the breach thereof. Additionally, unless and until the Lease has been terminated pursuant to the terms thereof, the City is liable for all unpaid Base Rental and Additional Rental and any other governmental charges, costs or fees, or expenses incurred by reason of the occurrence of any event of default or the exercise of the remedies. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE – The Lease – Defaults and Remedies."

In addition to the limitations on remedies contained in the Lease and the Indenture, the rights and remedies provided in those documents may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights. See "– Bankruptcy" herein.

Enforcement of Remedies

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

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

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the Base Rental payments. Owners would have to sue for payment of unpaid Base Rental in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against charter cities and counties and nonprofit public benefit corporations in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Risk Management and Insurance

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Equipment for repair or replacement in the event of damage or destruction to the Equipment. The City is also required to maintain rental interruption insurance in an amount equal to but not less than 12 months of Rental Payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Bonds when due.

The Lease allows the City to self-insure against any or all risks, except rental interruption and insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood insurance on the Equipment, through an alternative risk management program such as its risk management retention program. The City expects to self insure for all hazards for which the Lease permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND

STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution."

Changes in Law

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

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

No Liability of Corporation to the Owners

~~Except as expressly provided in the Indenture, the Corporation will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.~~

Bankruptcy

In addition to the limitations on remedies contained in the Lease and the Indenture, the rights and remedies provided therein may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified, as to the enforceability of the Bonds, the Indenture, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against charter cities and counties and nonprofit public benefit corporations in the State.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for local public agencies, there are no involuntary petitions in bankruptcy. It is not clear that the Corporation would be protected by Chapter 9 in an involuntary bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease, and from taking any steps to collect amounts due from the City under the Lease.

Although the Corporation's activities are limited and it generally does not have any assets or engage in activities that could give rise to debts and obligations, the City would not be able to prevent the Corporation from filing a petition for bankruptcy. The Corporation has entered into financing leases with the City and has issued bonds, which as of April 2, 2013, amount in the aggregate to \$___ million in outstanding principal (not including any Bonds authorized by the Indenture). See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Lease Payments and Other Long-Term Obligations" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2012 – Note 8." In the event the Corporation declared bankruptcy or were declared a bankrupt, the bankruptcy court would have the power to review

and abrogate lease arrangements entered into by the Corporation involving the assignment of revenues to other parties, including the Lease and the Indenture. The court could order, at least for some period of time, that the Corporation not allow any of its revenues received from the City under the Lease to be paid over to the Trustee.

Seismic Risks

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 about 3 miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent 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 environs. 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.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost \$100 billion of damage. In addition to the potential damage to City-owned buildings, facilities and the Equipment, 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 longer-term harm to the City's economy, tax receipts, and residential and business real property values.

State of California Financial Condition

The State has for a number of years experienced, and continues to experience, significant financial and budgetary stress. The City receives a significant portion of its funding from the State. The City's fiscal year 2012-13 Adopted Budget projects that approximately 14.0% of the City's General Fund revenues will come from State sources.

On January 10, 2013, the Governor released his 2013-14 Proposed Budget (the "2013-14 Proposed Budget"). The 2013-14 Proposed Budget projects improvement in the State's finances, due to the economic recovery, prior budgetary restraint, and the approval of Proposition 30, which temporarily increases the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent.

For fiscal year 2012-13, the administration estimates that General Fund revenues will be \$95.4 billion and expenditures will be \$93 billion, resulting in a \$2.4 billion operating surplus. This \$2.4 billion surplus is expected to erase the \$2.2 billion deficit remaining after fiscal year 2011-12 and leave the General Fund with a small reserve as it enters fiscal year 2013-14. The 2013-14 Proposed Budget projects fiscal year 2013-14 General Fund revenues and transfers of \$98.5 billion and total expenditures of \$97.7 billion, producing an \$851 million operating surplus. The 2013-14 Proposed Budget also estimates that the General Fund will end fiscal year 2013-14 with a \$1 billion reserve. The 2013-14 Proposed Budget is projected to be balanced by a small margin and cautions that the occurrence of certain events, including among other things, shifts of costs to the State from the federal government, the uncertainty of the economic recovery in the State and the country, actions taken by the federal government and the judicial system and rising health care costs pose risks to the State's budget performance.

Features of the 2013-14 Proposed Budget which may affect the City include, but are not limited to, the following:

- The federal Patient Protection and Affordable Care Act ("ACA") provides states with the option to expand Medi-Cal coverage to certain adults with incomes up to 138 percent of the federal poverty level who are not currently eligible. The 2013-14 Proposed Budget suggests two alternatives for this optional expansion: (i) the State would administer an expanded version of its current Medi-Cal Program, or (ii) counties would administer the expansion. Under the second approach, counties would

have operational and fiscal responsibility for implementing the expansion. Operational responsibilities include some functions performed by the State and Medi-Cal managed care plans to administer the program, such as establishing networks of providers, setting payment rates to providers, and processing claims billed by providers. The ACA also includes provisions that will likely result in additional enrollment among the currently eligible Medi-Cal population;

- The 2013-14 Proposed Budget assumes General Fund savings from the dissolution of redevelopment agencies of \$2.1 billion in fiscal year 2012-13 and \$1.1 billion in fiscal year 2013-14. These amounts are approximately \$1.6 billion lower than the assumption used in the 2012-13 State Budget Act. In those areas that contained redevelopment agencies, it is estimated that over the current year and budget year, approximately \$1.6 billion will be distributed back to counties, \$1.2 billion will be distributed back to cities, and \$400 million will be distributed back to special districts; and
- The 2013-14 Proposed Budget provides \$9 billion for the California Department of Corrections and Rehabilitation in fiscal year 2013-14, representing an increase of \$33 million above the fiscal year 2012-13 level. The 2013-14 Proposed Budget assumes a decrease in the average inmate and parolee population due to the realignment of responsibility for housing and supervising various lower-level adult offenders from the State to the counties. Despite the projected decrease in population, the inmate population is expected to exceed a federal court-imposed cap on prison population by approximately 7,000 inmates at the end of fiscal year 2012-13. Any plan to reduce the inmate population further would have budgetary impacts, although the exact amount would depend on specific changes included in the plan.

The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. [See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Adopted Fiscal Year 2012-13 Budget" and "– Impact of State Budget on City Budget."]

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. On March 1, 2013 automatic spending cuts to federal defense and other discretionary spending (referred to as "sequestration") went into effect and will continue for nine years unless further action is taken by Congress. At this time, the only certain reduction to City revenue due to sequestration is the loss of \$2.0 million in Medicare revenue. The City cannot predict the ultimate outcome of federal budget deliberations. For more information on the potential impact of sequestration on the City's finances and operations, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances." See also APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES" and "– INVESTMENT OF CITY FUNDS."

Other

There may be other Risk Factors inherent in ownership of the Bonds in addition to those described in this section.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was

formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors of the City. The purpose of the Corporation is to provide a means to finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes. The Corporation cannot issue obligations or enter into leases without the City's consent and participation.

The Corporation is governed by a three-member Board of Directors. The initial Board of Directors was appointed by the Chief Administrative Officer of the City. Successive members of the Board of Directors are appointed by the existing Board of Directors to indefinite terms and serve without compensation. The Corporation has no employees. Pursuant to an Administrative Services Agreement dated May 23, 1997, between the City and the Corporation, the City provides administrative services to the Corporation.

<u>Name</u>	<u>Date of Appointment</u>
Pamela S. Jue, President	February 21, 2008
Arnold Laub, Chief Financial Officer	April 8, 2011
Ken Cleaveland, Secretary	April 8, 2011

Outstanding Debt

In addition to the Bonds, the Corporation has issued other bonds secured by separate leases with the City. Additional bonds secured by separate leases with the City may be issued by the Corporation from time to time. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Overlapping Debt" and "– Lease Payments and Other Long-Term Obligations." No amount received by or on behalf of the Corporation with respect to any other bonds issued by the Corporation is available to secure payment of the Bonds.

TAX MATTERS

In the opinion of Squire Sanders (US) LLP, Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix G. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Corporation and the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations of the Corporation and the City or the continuing compliance with their covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City or the Corporation may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Corporation and the City have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain

excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market value of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

~~Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City, the Corporation or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Corporation as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.~~

Prospective purchasers of the Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Bonds at other than their original issuance, should consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not

subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment in the event of any such change.

Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. The amount of OID that accrues each year to a corporate owner of a Discount Bond is taken into account in computing the corporation's liability for federal alternative minimum tax. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds ("Premium Bonds") as indicated on the inside cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

OTHER LEGAL MATTERS

Certain legal matters will be passed upon for the City by the City Attorney. Certain legal matters will be passed upon for the Corporation by Dannis Woliver Kelley. 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 opinion of Squire Sanders (US) LLP, San Francisco, California ("Bond Counsel"). The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth in Appendix G hereto. The legal opinion to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Bond Counsel will not have independently verified.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the 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 Corporation, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

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

PROFESSIONALS INVOLVED IN THE OFFERING

Kitahata & Company has acted as Financial Advisor to the City in connection with the issuance, sale and delivery of the Bonds. The Financial Advisor has assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Financial Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City or the Corporation to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor, Bond Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Bonds. U.S. Bank National Association is acting as trustee and registrar with respect to the Bonds.

CONTINUING DISCLOSURE

The City, on behalf of the Corporation, has covenanted 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 2011-13, which is due not later than March 27, 2014, and to provide notices of the occurrence of certain enumerated events: The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX E: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-

12(b)(5), as amended (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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

ABSENCE OF LITIGATION

The opinions of the Counsel to the Corporation and of the City Attorney, which will be addressed solely to the City and the Corporation, will be furnished to the initial purchaser at the time of the original delivery of the Bonds.

Corporation

No litigation is pending with service of process having been accomplished or, to the knowledge of the Counsel to the Corporation, threatened, concerning the validity of the Bonds, the Indenture or the Lease, 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. The Corporation will furnish to the initial purchaser of the Bonds a certificate of the Corporation as to the foregoing as of the time of the original delivery of the Bonds.

City

No litigation is pending or threatened concerning the validity of the Bonds, the Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver other documents and certificates in connection with the Bonds. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("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 and the Corporation 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.moody.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions by a rating agency, may have an adverse effect on the market price of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE BONDS

The Bonds were sold at competitive bid on May ___, 2013. The Bonds were awarded to _____ (the "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of \$ _____. Under the terms of its bid, the Purchaser will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Bond Counsel, and certain other conditions to be satisfied by the City.

The Purchaser has certified the reoffering prices or yields for the Bonds set forth on the inside cover of this Official Statement, and the City and the Corporation take no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Bonds is \$ _____ and the Purchaser's gross compensation (or "spread") is \$ _____. The Purchaser may offer and sell Bonds to certain dealers and

others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Purchaser.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the City, the Corporation and the initial purchaser or Owners and Beneficial Owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: _____
President

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Controller

APPENDIX A

**CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES**

[Please use file sent separately.]

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2012***

* The Comprehensive Annual Financial Report may be viewed online or downloaded from the City Controller's website at <http://www.sfgov.org/controller>. The City Controller's website is not incorporated herein by reference.

APPENDIX C

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

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE LEASE

The following is a summary of certain provisions of the Indenture and the Lease and is not to be considered a full statement of the provisions thereof. This summary is qualified in its entirety by reference to and is subject to the complete Indenture and Lease, copies of which are available from the Corporation, c/o the Office of Public Finance.

For purposes of this Appendix D, "Series 2013A Bonds" refers to the Corporation's Lease Revenue Bonds, Series 2013A (Equipment Program), and "Bonds" refers to all outstanding lease revenue bonds of the Corporation issued under the Indenture.

CERTAIN DEFINED TERMS

Additional Rental. The term "Additional Rental" means all amounts payable by the City as Additional Rental pursuant to the Lease.

Authorized Officer. The term "Authorized Officer," when used with respect to the Corporation, means the President or Chief Financial Officer of the Corporation or any other officer of the Corporation who is designated in writing by the Corporation as an Authorized Officer for purposes of the Indenture, and when used with respect to the City, means the Mayor or any other official or employee of the City who is designated in writing by the Mayor as an Authorized Officer for purposes of the Indenture.

Base Rental. The term "Base Rental" means all amounts payable by the City as Base Rental pursuant to the Lease related to the Equipment.

Certificate of Completion. The term "Certificate of Completion" means a Certificate of the City, in the form of Exhibit C to the Lease, certifying that all Equipment with respect to a Project anticipated to be acquired has been acquired, installed and accepted by the City and that all Project Costs attributable to such Equipment have been paid.

Computer System. The term "Computer System" means a component of Equipment that consists of both computer hardware and software components.

Credit Facility. The term "Credit Facility" means (i) a surety bond or other financial undertaking issued by a financial institution, if the unsecured obligations of or the claims paying ability of such financial institution has one of the two highest ratings then issued by a nationally recognized bond rating agency, or (ii) a policy of insurance issued by an insurance company, if the obligations insured by such insurance company have one of the two highest ratings then issued by a nationally recognized bond rating agency, or (iii) an irrevocable letter of credit from a bank the long-term obligations of which are rated in one of the two highest rating categories by a nationally recognized rating agency delivered to the Trustee to satisfy the obligation to deposit moneys in the Reserve Fund in connection with any Series of Bonds and which is in an amount equal to the Reserve Requirement for such Series of Bonds.

Equipment. The term "Equipment" means the personal property listed in Exhibit A to the Equipment Lease Supplement, as supplemented from time to time pursuant to the Lease, all to be leased by the Corporation to the City pursuant to the Lease.

Government Certificates. The term "Government Certificates" means evidences of indebtedness of ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general

assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

Government Obligations. The term "Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Trust Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Integrated Software. The term "Integrated Software" means one or more programs for directing the operation of a computer or processing electronic data, which program or programs are integrally related to, and necessary to the functioning of, an item of Equipment and transferable only as a part of such item of Equipment without license or consent.

Lease Supplement. The term "Lease Supplement" means a supplement to the Lease, and includes an equipment schedule, a Base Rental payment schedule and a certificate of approval.

Net Proceeds. The term "Net Proceeds" means the amount remaining from the gross proceeds of any insurance claim or condemnation award made in connection with the Equipment, after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

Owner. The term "Owner" means any person who shall be the registered owner of any outstanding Bond as shown on the registration books required to be kept by the Trustee.

Payment Date. The term "Payment Date" means each April 1 and October 1.

Permitted Investments. The term "Permitted Investments" means any of the following:

(1) United States Treasury notes, bonds, bills, or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of principal and interest;

(2) Obligations issued by federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Federal National Mortgage Association, or guaranteed portions of Small Business Administration notes, or obligations, participations or other instruments of or issued by a federal agency of a United States of America government-sponsored enterprise, so long as such obligations are fully guaranteed as to interest and principal by the United States of America;

(3) Demand or time deposits or negotiable certificates of deposit issued by (a) the Trustee or any paying agent, or (b) any bank, organized under the laws of any state of the United States of America or any national banking association; or savings and loan association provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation, (ii) issued by any bank, trust company or savings and loan association organized under the laws of any state of the United States, or any national banking association, having a combined capital and surplus of at least \$50,000,000, so long as the deposits to which such deposits or certificates of deposit relate (A) do not exceed at any one time in the aggregate 10% of the total of the capital and surplus or shareholders' equity, as the case may be, of such bank or trust company or savings and loan association or national banking association, and (B) are continuously and fully secured by such securities as are described in clauses (1) or (2) above, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to 110% of the principal amount of such deposits or certificates of deposit (marked to market at least weekly) and whose short-term obligations are rated in the highest rating category by each rating agency maintaining a rating on the Bonds;

(4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee) or any national banking association or government bond dealer reporting

to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is entered into with an institution whose debt is rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds;

(5) Commercial paper, or corporate bonds or notes rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(6) Other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust or insurance company) rated in one of the two highest rating categories (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(7) Interest-bearing certificates of deposit in a national or state bank or a trust company (which may be the Trustee) which has a combined capital and surplus aggregating not less than \$100,000,000 and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(8) Bankers' acceptances, Eurodollar deposits of banks or trust companies, including the Trustee, organized under the laws of the United States or Canada or any state or province thereof, or domestic branches of foreign banks, having a capital and surplus of \$50,000,000 or more and which has outstanding, at the time of investment, short-term obligations rated in the highest rating category (without regard to rating subcategories) by each rating agency that maintains a rating on the Bonds;

(9) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which have been defeased and re-rated in the highest rating category by each rating agency that maintains a rating on the Bonds;

(10) Bonds or other securities issued by any state, territory, commonwealth, or the District of Columbia or any political subdivision thereof which are rated in one of the two highest rating categories by each rating agency that maintains a rating on the Bonds; and

(11) Money market funds rated AAm or better by Standard & Poor's Corporation.

Provided that with respect to amounts in the Acquisition Fund and the Costs of Issuance Fund (each as created under the Indenture) and with respect to amounts in all funds and accounts established under the Indenture on and after the date on which no Series 1997A Bonds remain outstanding, the definition of "Permitted Investments" means any of the following, if and to the extent permitted by law and by any policy guidelines promulgated by the Corporation:

(a) Government Obligations or Government Certificates.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) Farmers Home Administration (FmHA) – Certificates of beneficial ownership; (ii) Federal Housing Administration Debentures (FHA); (iii) General Services Administration - Participation certificates; (iv) Government National Mortgage Association (GNMA or "*Ginnie Mae*") – GNMA guaranteed mortgage backed bonds, GNMA guaranteed pass through obligations (participation certificates); (v) U.S. Maritime Administration – Guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development (HUD) – Project notes and local authority bonds; and (vii) any other agency or instrumentality of the United States of America.

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System – Senior debt obligations (consolidated debt obligations); (ii) Federal Home Loan Mortgage Corporation (FHLMC or "*Freddie Mac*") – Participation certificates (mortgage-backed securities) and senior debt obligations; (iii) Federal National Mortgage Association

(FNMA or "Fannie Mae") – Mortgage backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal); (iv) Student Loan Marketing Association (SLMA or "Sallie Mae") – Senior debt obligations; (v) Resolution Funding Corp. (REFCORP) – Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (vi) Federal Farm Credit System – Consolidated systemwide bonds and notes; and (vii) any other agency or instrumentality of the United States of America.

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard and Poor's Credit Market Services ("S&P") of AAAM-G or AAAM and by Moody's Investors Service, Inc. ("Moody's") of Aaa.

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan, *provided* that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC, or (ii) have a maturity of not greater than 365 days and have the highest short-term letter and numerical ratings of Moody's and S&P.

(f) Savings accounts or money market deposits that are fully insured by the FDIC.

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated in the highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates.

(h) Commercial paper of "prime" quality rated in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States.

(i) Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P, *provided* that the maturity cannot exceed 270 days.

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(l) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated in the highest rating category by Moody's and S&P, including "pre funded" municipal obligations.

Project. The term "Project" means the acquisition and installation of all items of Equipment to be financed with the proceeds of a particular Series of Bonds.

Project Costs. The term "Project Costs" means all costs of payment of, or reimbursement for, the acquisition, installation, if applicable, and financing of the Equipment and any item functionally related to the Equipment, and any license necessary or convenient in connection with the use of the Equipment, including but not

limited to, architect, engineering and installation management costs, administrative costs and capital expenditures relating to installation and financing payments, sales tax on the Equipment, costs of accounting, feasibility, environmental and other reports, insurance costs, inspection costs, permit fees, prepaid maintenance, licensor or software fees, including prepaid technical support costs, filing and recording costs, printing costs, reproduction and binding costs, fees and charges of the Trustee, escrow fees, legal fees and charges, costs of rating agencies or credit ratings, Credit Facility fees and financial and other professional consultant fees.

Rental Payments. The term "Rental Payments" means, collectively, the Base Rental payments and the Additional Rental payments with respect to the Equipment.

Reserve Requirement. The term "Reserve Requirement" means the amount, if any, described under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Series 2013A Reserve Account" in the forepart of this Official Statement.

Supplemental Indenture. The term "Supplemental Indenture" means a Supplemental Indenture executed and delivered by the Corporation and the Trustee pursuant to the Indenture.

Tax Certificate. The term "Tax Certificate" means the Tax Certificate and Agreement of the City and Corporation, dated the date of delivery of the Series 2013A Bonds.

Working Capital Requirement. The term "Working Capital Requirement" means such amount, if any, as may be specified in a Supplemental Indenture with respect to a Series of Bonds.

Written Request of the Corporation. The term "Written Request of the Corporation" means an instrument in writing signed by an Authorized Officer of the Corporation.

THE INDENTURE

PLEDGE OF BASE RENTAL PAYMENTS; ASSIGNMENT OF LEASE

Subject only to the provisions of the Indenture permitting the application thereof for or to the purpose and on the terms and conditions set forth therein, all of the Base Rental payments received by the Trustee, all of the proceeds of the Series 2013A Bonds and any other amounts held in any fund or account (except the Rebate Fund) established under the Indenture for the Series 2013A Bonds and all of the right, title and interest of the Corporation in the Lease and in the Equipment are pledged to secure the payment of the principal of and interest on the Series 2013A Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such assets.

Under the Indenture, the Corporation sells, transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the holders of the Bonds, all of the Base Rental payments and other moneys pledged as described in the preceding paragraph, all rents, profits and products from the Equipment to which the Corporation has any right or claim whatsoever, and all right, title and interest in and to the Lease including, without limitation, the right to take all actions and give all consents under the Lease and all rights of the Corporation as lessor under the Lease necessary to enforce payment of such Base Rental payments when due or, otherwise to protect the interests of the owners of the Series 2013A Bonds; provided that the Corporation retains certain rights to indemnification and the payment of its costs and expenses under the Lease. The Trustee is entitled to collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation, are deemed pursuant to the Indenture to be held, and to have been collected or received, by the Corporation as the agent of the Trustee and are required by the Indenture forthwith to be paid by the Corporation to the Trustee. The Trustee is also required to take all steps, actions and proceedings reasonably necessary in its judgment to preserve and protect the priority of its security interest in the Lease and the Equipment.

NO LIABILITY OF CORPORATION, CITY AND TRUSTEE TO THE OWNERS

Except as expressly provided in the Indenture, the Corporation has no obligation or liability to the Owners with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by the City contained in the Lease or in the Indenture, or with respect to the performance by the Trustee of any rights or obligation required to be performed by the Trustee contained in the Indenture.

Except for the payment when due of the Rental Payments and the performance of the other agreements and covenants required to be performed by the City contained in the Lease and the Indenture, the City has no obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required by the Indenture to be performed by the Trustee.

Except as expressly provided in the Indenture, the Trustee has no obligation or liability to the Owners with respect to the payment when due of the Base Rental payments by the City, or with respect to the performance by the City of the other agreements and covenants contained in the Lease or in the Indenture that are required to be performed by the City.

CREATION AND APPLICATION OF FUNDS AND ACCOUNTS

~~The Indenture establishes the following funds and accounts for the Series 2013A Bonds:~~

Acquisition Fund

Series 2013A Project Account

Costs of Issuance Fund

Series 2013A Costs of Issuance Account

Rebate Fund

Series 2013A Rebate Account

Base Rental Payment Fund

Series 2013A Base Rental Payment Account, consisting of the Series 2013A Interest Account and the Series 2013A Principal Account

Reserve Fund

Series 2013A Reserve Account

Surplus Fund

Working Capital Fund

Redemption Fund

Acquisition Fund. All moneys in the Acquisition Fund are required by the Indenture to be applied by the Trustee to the payment of any Project Costs (or for making reimbursements to the Corporation, the City or any other person, firm or corporation for such costs). For each Series of Bonds, the Trustee will establish a Project Account within the Acquisition Fund. Amounts in each such Project Account may only be distributed by the Trustee to pay costs related to the Project financed by such Series of Bonds or to redeem such Series of Bonds. Upon receipt by the Trustee of a Certificate of Completion for the Project financed by a Series of Bonds, all amounts remaining in the Project Account for such Series of Bonds, are required to be transferred by the Trustee to the Rebate Fund or to the Redemption Fund to be applied to the redemption of that Series of Bonds.

Costs of Issuance Fund. For each Series of Bonds, the Trustee is required to establish a Costs of Issuance Account within the Costs of Issuance Fund. Moneys in each such Costs of Issuance Account shall be disbursed as is necessary to pay Costs of Issuance for the related Series of Bonds. Upon the written request of the City, the Trustee shall transfer any amount then remaining in the related Costs of Issuance Account to the Project Account established for such Series of Bonds.

Rebate Fund. There shall be deposited in the Rebate Fund from funds of the City or the Corporation such amounts as are required to be deposited therein pursuant to the Tax Certificate. All moneys at any time deposited in

the Rebate Fund or any subaccount therein will be held by the Trustee in trust, to the extent required to satisfy any rebate requirement (as set forth in the Tax Certificate), for payment to the United States of America. Amounts required to be deposited into or on deposit in the Rebate Fund are not pledged to the payment of the Bonds under the Indenture.

Base Rental Payment Fund. Notwithstanding any other provision of the Indenture, with respect to the Series 2013A Bonds there is established a Series 2013A Base Rental Payment Account (including accounts therein) within the Base Rental Payment Fund. References in this APPENDIX D to series accounts within the Interest Fund or the Principal Fund shall be references to such Series 2013A Base Rental Payment Account or the Interest Account or Principal Account therein established in the Base Rental Payment Fund, as the case may be.

Interest Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Interest Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts in such Accounts to the aggregate amount of interest coming due on each Series of Bonds on such Payment Date. Moneys in the Interest Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds when due and payable.

Principal Fund. The Indenture requires the Trustee to deposit from Base Rental payments made by the City in each Principal Account created therein for each Series of Bonds, on each Payment Date, that amount, if any, needed to bring the amounts of such Accounts to the aggregate amount of principal coming due on each Series of Bonds on such Payment Date. Moneys in the Principal Fund are required to be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

Reserve Fund. Upon the issuance of any Series of Bonds, the Trustee is required to cause to be deposited in the separate Reserve Account established within the Reserve Fund for such Series of Bonds an amount equal to the initial Reserve Requirement for such Series of Bonds. Such amount may be derived from the proceeds of such Series of Bonds, other funds of the City or the Corporation or a Credit Facility. After making any required deposits to the Interest Fund and the Principal Fund, the Trustee is required to deposit from Base Rental Payments made by the City in each Reserve Account, on each April 1 and October 1, the amount (if any) needed to bring the amount on deposit in each Reserve Account to the then applicable Reserve Requirement for such Reserve Account. In the event amounts in the Base Rental Payment Fund are insufficient to make the deposits described in the preceding sentence, the Trustee will make such deposits from Base Rental Payments made by the City on a pro rata basis to each Reserve Account on the basis of the applicable Reserve Requirement. Amounts on deposit in each Reserve Account may be withdrawn by the Trustee solely for deposit in the corresponding Interest Account and Principal Account in the event that the amounts therein are insufficient for the purposes of paying interest and principal on the corresponding Series of Bonds. Any amounts on deposit in a Reserve Account in excess of the Reserve Requirement for such Reserve Account are to be withdrawn by the Trustee and transferred to the Base Rental Payment Fund for deposit in the corresponding Interest Account and Principal Account.

Surplus Fund. After making the required deposits to the funds discussed in the preceding paragraphs, the Trustee is required to transfer, on or before the business day immediately succeeding each Payment Date, any remaining amounts in the Base Rental Payment Fund to the Surplus Fund. On the first business day after making each deposit in the Surplus Fund, the Trustee is to determine whether any moneys then in the Surplus Fund will be required for the payment of principal and interest on the Bonds and will hold any moneys required for such purposes. Moneys in the Surplus Fund not required for such purposes may be used (i) for the redemption of Bonds; (ii) for the purchase of Bonds at such prices (including brokerage and other charges, but excluding accrued interest which is payable from the Interest Fund) as the Corporation may deem advisable, but not to exceed the par value thereof, or in the case of Bonds which by their terms are subject to call and redemption, the highest redemption price (excluding accrued interest) or the then current redemption price (excluding accrued interest), whichever is lower; or (iii) for transfer to the Working Capital Fund or the City. Moneys in the Surplus Fund are to be used and withdrawn by the Trustee solely for the foregoing purposes, subject, however, to any requirement for deposit to the Rebate Fund.

Working Capital Fund. All amounts received from the City as Additional Rental under the Lease and such other amounts as designated for deposit therein by a Supplemental Indenture will be deposited by the Trustee in the Working Capital Fund. Upon the Written Request of the Corporation, the Trustee will disburse amounts in the

Working Capital Fund for the payment of taxes and assessments and any administrative cost of the Corporation or charges required to be paid by the Corporation in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture. Subject to any requirement for deposit to the Rebate Fund, moneys in the Working Capital Fund are to be used and withdrawn by the Trustee for the foregoing purposes; *provided, however*, that amounts in the Working Capital Fund may also be withdrawn or applied to the payment of principal of or interest on the Bonds, on any Payment Date for which the Trustee receives a written request of the City and a Written Request of the Corporation to the effect that as of the date of such request, the amounts to be transferred or withdrawn are no longer necessary to be retained in the Working Capital Fund for the purposes for which it was established.

Redemption Fund. On the date specified in the Written Request of the Corporation filed with the Trustee at the time any prepaid Base Rental payment is paid by the City to the Trustee pursuant to the Lease, the Trustee is required to deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental payments designated as prepaid Base Rental payments. Moneys in the Redemption Fund are to be used and withdrawn by the Trustee solely for the purpose of paying the principal of, and the interest on and premium, if any, on the Bonds to be redeemed.

CERTAIN COVENANTS

Under the Indenture, the Corporation covenants faithfully to comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract or prescribed by any law of the United States of America or the State of California or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its respective businesses, ~~to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.~~

The Corporation also agrees to keep the Equipment and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might embarrass or hamper the City in conducting its business or utilizing the Equipment, and the Trustee at its option (after first giving the Corporation ten days' written notice to comply therewith and failure of the Corporation to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not be deemed to have waived or released the Corporation from liability for or on account of any of its agreements and covenants contained in the Indenture or from its liability under the Indenture to defend the validity thereof and to perform such agreements and covenants.

The Corporation agrees so long as any Bonds are outstanding not to create any pledge of or lien on a Base Rental payment other than the pledge and lien of the Indenture. The Corporation further agrees promptly upon request of the Trustee to take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Equipment or any part thereof and to prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

The Indenture requires the Trustee to keep proper records in which complete and correct entries are to be made of all transactions relating to the receipt, deposit and disbursement of the Rental Payments, and such records will be available for inspection by the Corporation, the City or any Owner or agent thereof duly authorized in writing at reasonable hours and under reasonable conditions. Not later than the last day of each month, and continuing so long as any Bonds are outstanding, the Trustee will furnish to the Corporation, the City and any Owner who may so request a complete statement covering the receipts, deposits and disbursements of the Rental Payments for the preceding calendar month.

ACQUISITION OF SOFTWARE

The Indenture provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of Integrated Software with respect to a Project financed by a Series of Bonds unless the Trustee receives a written certificate from an authorized officer of the vendor of such Integrated Software substantially in the form attached to the Indenture.

The Indenture also provides that the Trustee may not disburse funds from the Acquisition Fund for the acquisition of software (that does not constitute Integrated Software) with respect to a Project financed with a Series of Bonds, unless the Trustee receives a written certificate from an Authorized Officer of the City to the effect that: (i) the cost of the software is not greater than 75% of the total cost (including software) of the associated Computer System; (ii) the cost of all software that is part of a Project financed with such Series of Bonds is not greater than 20% of the total cost of such Project; and (iii) the useful life of the software is at least as long as the term of the Lease Supplement with respect to the associated Computer System.

With respect to any future Series of Bonds, the provisions of the Indenture concerning the acquisition of software and of Integrated Software and the rights and obligations of the Corporation and the Owners and the Trustee thereunder may be amended or supplemented by an amendment thereof or supplement thereto, which shall become binding upon execution without the written consents of the Owners, but only to the extent permitted by law.

EVENTS OF DEFAULT AND REMEDIES

An Event of Default (as defined under "THE LEASE – Defaults and Remedies" in this APPENDIX D) with respect to any Series of Bonds will not be deemed an Event of Default with respect to any other Series of Bonds, and the rights, remedies and obligations of the Owners and the Trustee under the Indenture resulting from any Event of Default will only pertain to the Series of Bonds with respect to which such Event of Default occurred.

Each Event of Default under the Lease is an "event of default" under the Indenture. See "THE LEASE – Defaults and Remedies" in this APPENDIX D. During the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the applicable Series of Bonds at the time Outstanding are entitled upon notice in writing to the City and the Corporation to exercise the remedies provided to the Corporation in the Lease and to take whatever action at law or in equity may appear necessary to protect and enforce any of the rights vested in the Trustee or in the Owners by the Indenture or by the applicable Series of Bonds. However, under the Indenture the Trustee does not have the remedy to terminate the Lease with respect to any computer software component of the Equipment that does not constitute Integrated Software or the remedy to retake possession of any such software.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Equipment after an Event of Default and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease or under the Indenture are required to be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied to the payment of:

- (i) all amounts due the Trustee as compensation or reimbursement for advances and expenditures;
- (ii) to the Owners entitled thereto their proportionate interest in the interest on the applicable Series of Bonds in the order of the maturity of such interest and, if the amount available is not sufficient to pay in full such amount, then to the payment ratably, according to the amount due to the persons entitled thereto; without any discrimination or privilege;
- (iii) to the Owners entitled thereto, the proportionate interest in the unpaid principal of the applicable Series of Bonds which shall have become due and, if the amount available shall not be sufficient to pay the principal in full, then to the payment ratably, according to the amount of principal due, to the persons entitled thereto without any discrimination or privilege; and

(iv) as the same shall become due to the Owners entitled thereto the principal of and interest on the applicable Series of Bonds which may thereafter become due either as scheduled or upon redemption pursuant to the Indenture or to the Lease and, if the amount available is not sufficient to pay in full the principal due on any particular date, payment is to be made ratably according to the amount of principal due on such date to the Owners entitled thereto without any discrimination or privilege.

Limitation on Suits. No Owner has any right to institute any proceedings with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy under the Indenture unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding applicable Series of Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to it; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners of a majority in principal amount of the Outstanding applicable Series of Bonds.

No Waiver. A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies upon any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach will impair any such right or remedy or be construed to be a waiver of any such default or breach or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often as may be deemed expedient by the Trustee.

AMENDMENTS TO INDENTURE

The Indenture may be amended or supplemented at any time without the consent of any Owners for one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation to be observed or performed or to surrender any right or power reserved in the Indenture or conferred on the Corporation, which in either case will not adversely affect the interests of the Owners; or

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the Indenture which the Corporation may deem desirable or necessary or not inconsistent with the Indenture and which will not materially adversely affect the interests of the Owners; or

(iii) to amend the provisions concerning the acquisition of computer software components, including Integrated Software, with respect to any future Series of Bonds; or

(iv) to provide for the issuance of a Series of Bonds.

The Indenture may be amended or supplemented at any time upon the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that no such amendment or supplement may (i) extend the maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of such interest or reduce the amount of principal thereof without the prior written consent of the Owner of the Bond so affected, or (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment of or supplement to the Indenture, or (iii) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (iv) amend the provisions of the Indenture relating to amendments or supplements to the Indenture, without the prior written consent of the Owners of all Bonds then outstanding.

DEFEASANCE

If the Owners of all outstanding Bonds of any Series of Bonds are paid the interest thereon and principal thereof at the times and in the manner stipulated in the Indenture and in the Bonds, then such Owners will cease to

be entitled to the benefits of the Indenture and all agreements and covenants of the Corporation and the Trustee to such Owners under the Indenture will thereupon cease, terminate and become void and will be discharged and satisfied. Any outstanding Bonds will be deemed to have been paid if there is on deposit with the Trustee moneys or securities described in clauses (1) and (2) of the definition of the term "Permitted Investments" in an amount sufficient (together with the increment, earnings and interest thereon) to pay the principal of and premium, if any, and interest on such Bonds payable at maturity or on prior redemption.

THE TRUSTEE

The Corporation, *provided* that no Event of Default has occurred and is then continuing, or the Owners of a majority in aggregate principal amount of Bonds at the time outstanding, may remove the original Trustee and any successor thereto and may appoint a successor Trustee, but any such successor Trustee must be bank or trust company doing business and having a principal corporate trust office in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Corporation, the City and the Owners. Upon receiving notice of resignation of the Trustee, the Corporation is required promptly to appoint a successor Trustee. Any resignation of any Trustee and appointment of a successor Trustee will become effective only upon acceptance of the appointment by the successor Trustee.

THE LEASE

TERM OF LEASE

Under the Lease, the Corporation leases to the City and the City hires from the Corporation the Equipment to have and to hold for the term of the Lease. The Corporation covenants to provide the City during the term of the Lease with quiet use and possession of the Equipment, and the Corporation subject to the provisions of the Lease has the right at all reasonable times to enter into and upon the property of the City for the purposes of the Lease or for any other lawful purpose.

The term of the Lease with respect to the Equipment commences on the date of initial execution and delivery of the Equipment Lease Supplement and ends on the last date on which a Rental Payment is payable thereunder, unless sooner terminated in accordance with the Lease. The Lease terminates as to all of the Equipment comprising any Project upon the earlier of the following: (i) the payment by the City of all Rental Payments and any other amounts required to be paid by the City with respect to such Project under the Lease; or (ii) the discharge of the City's obligation with respect to such Project under the Lease. In addition, if no Event of Default has occurred and is continuing, the term of the Lease will terminate as to any item of Equipment as of the earlier of the following: (i) the September 30 that next succeeds the date on which the number of years shown as the useful life of such item of Equipment in the Lease has elapsed since the date the City took possession thereof under the Lease, or (ii) the discharge of the City's obligation with respect to such item of Equipment under the Lease. The Lease terminates as to all of the Equipment upon the occurrence of an Event of Default under the Lease and the Corporation's election to terminate the Lease.

MAINTENANCE OF EQUIPMENT

Under the Lease, the City agrees that at all times during the term of the Lease, it will at its own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition and will from time to time make or cause to be made all necessary and proper repairs.

INSURANCE

Under the Lease, the City is required to carry and maintain the following types of insurance with respect to the Equipment during the term of the Lease:

(i) insurance against rental interruption or loss of use and possession of the Equipment in an amount not less than the total Rental Payments payable by the City with respect to the Equipment for a period of at least twelve months;

(ii) insurance against fire, lightning and extended coverage, theft, vandalism and malicious mischief and flood insurance on the Equipment in an amount equal to the lesser of the full replacement value of the Equipment or the aggregate principal amount of the Series 2013A Bonds Outstanding (subject to certain deductibles);

(iii) workers' compensation insurance covering all of the City's employees working, in, near or about the Equipment, in the same amount and type as other workers' compensation maintained by the City for similar employees doing similar work;

(iv) standard comprehensive general liability insurance or the equivalent covering direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$2,000,000 for personal injury or death of two or more persons in each event, and in a minimum amount of \$200,000 (subject to a deductible not to exceed \$5,000) for property damage; and

(v) standard automobile liability insurance covering direct or contingent loss or liability for damages for injury, death or property damage occasioned by reason of the possession, operation or use of the Equipment, with minimum liability limits and maximum deductibles as described in (iv) above.

The City is not required to obtain the coverages described in clauses (i), (ii) or (v) above for any item of Equipment until the date the Equipment is acquired under the Lease. The coverages described in clauses (iv) and (v) above may each be in the form of a \$2,000,000 single limit policy covering all such risks and may be maintained as part of or in conjunction with any other liability insurance carried by the City. The Lease permits the City to provide a self insurance method or plan of protection in lieu of any of the insurance described in clauses (iii) through (v) above, but only if the City obtains and provides the Trustee and the Corporation with a certificate of the Risk Manager of the City to the effect that such method or plan (and the amount contained in the related self insurance fund) is reasonably sufficient to provide coverage in the same scope and amount. The City must obtain a new certificate of the Risk Manager for each twelve-month period. Amounts paid from any self-insurance method or plan are deemed insurance proceeds for purposes of the Lease and the Indenture. Net Proceeds of the insurance described in clause (i) above are required to be applied to the payment of Rental Payments and Net Proceeds of insurance described in clause (ii) above are required to be applied as described below under "-- Damage, Destruction and Condemnation."

GOVERNMENTAL CHARGES AND UTILITY CHARGES

The Corporation and the City expect that the Equipment will be used for governmental purposes of the City and therefore that the Equipment will be exempt from all taxes presently assessed and levied with respect to real and personal property. In the event that the use, possession or acquisition by the City or the Corporation of the Equipment is determined to be subject to taxation in any form (except for income or franchise taxes of the Corporation) the City agrees to pay during the term of the Lease all taxes and governmental charges of any kind that may at any time be lawfully assessed or levied with respect to the Equipment and any substitutions, modifications, improvements or additions thereto, as well as utility charges incurred in the operation, maintenance, use and upkeep of the Equipment.

DAMAGE, DESTRUCTION AND CONDEMNATION

During the term of the Lease, if the Equipment or any portion thereof is damaged, destroyed (in whole or part), stolen or otherwise unlawfully removed from the possession of the City, the City and the Corporation agree to cause the Net Proceeds of any insurance claim to be applied to the prompt repair, restoration or replacement of the damaged, destroyed or stolen Equipment. Any balance of the Net Proceeds after such work has been completed will be paid to the City. Alternatively, the City with the written consent of the Corporation, may elect to cause the Net

Proceeds of insurance to be used for the redemption of outstanding Series 2013A Bonds issued to finance or refinance the damaged, destroyed or stolen Equipment; provided that the Net Proceeds together with any other moneys then available therefor are at least sufficient to prepay that portion of the Base Rental attributable to the destroyed, damaged or stolen Equipment.

If any Project, or any portion of any Project as to render the remainder unusable for the purposes for which it was used or intended to be used, shall be taken under the power of eminent domain, the Lease will terminate with respect to such Project. The Lease requires the City to take or cause to be taken such action as is reasonably necessary to obtain compensation at least equal to the value of the Equipment or portion thereof taken by eminent domain, and all condemnation proceeds are to be transferred to the Redemption Fund and applied to the redemption of the Series 2013A Bonds issued to finance such Project. If part of any Project shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used at the time of such taking, then the Lease will continue in full force and effect with respect to the remainder, and there will be a partial abatement of the Base Rental in an amount equal to the proportion which the value of that portion of the Project taken bears to the fair rental value of the whole of the Project. The fair rental value of any Project after such a taking will be equal to the Base Rental payments due under the Lease reduced by the application of all or any part of any award in eminent domain that is used to redeem outstanding Series 2013A Bonds pursuant to the Indenture.

DEFAULTS AND REMEDIES

Notwithstanding any other provision of the Lease, with respect to any Project financed with a Series of Bonds: (1) the provisions of the Lease with respect to such Project will be deemed to be a separate lease of such Project; (2) any Event of Default under the Lease with respect to a Project will only affect such Project; and (3) any remedy exercised under the Lease with respect to an Event of Default will be limited to the Project with respect to which the Event of Default occurred.

Each of the following is an "Event of Default" under the Lease:

- (1) the City shall fail to pay any Rental Payment when the same becomes due and payable;
- (2) the City shall fail to keep, observe or perform any other term, covenant or condition contained in the Lease and such failure shall have continued for 30 days or more;
- (3) the City's interest in the Lease or any part thereof is assigned or transferred without the written consent of the Corporation;
- (4) the occurrence and continuance of certain bankruptcy or insolvency proceedings or the appointment of a receiver for the City, or of all or substantially all of its assets; or
- (5) the City shall abandon or vacate any part of the Equipment under the Lease.

Upon the occurrence of an Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease. In addition, the Trustee may terminate the Lease and retake possession of the Equipment, except with respect to any computer software components of the Equipment that does not constitute Integrated Software. No termination of the Lease on account of default by the City will be effective unless and until the Trustee gives written notice to the City of the Trustee's election to terminate the Lease. The Trustee may also collect each installment of Rental Payments as it becomes due and enforce any other term or provision of the Lease or exercise any and all rights to retake possession of the Equipment without terminating the Lease, although the Trustee may not retake possession of any computer software components of the Equipment that does not constitute Integrated Software. If the Trustee does not terminate the Lease, the City will remain liable and agrees in the Lease to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City and, if the Equipment is not relet, to pay the full amount of the rent to the end of the term of the Lease or, in the event the Equipment is relet, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay the Rental Payments and/or deficiency notwithstanding the fact that the Trustee may have received in

previous years or may receive thereafter Rental Payments in excess of the Rental Payments specified in the Lease and notwithstanding any retaking of possession of the Equipment by the Trustee.

ADDITIONAL PROJECTS

The Lease permits the supplementation or amendment thereof to allow the financing of additional Projects by the execution and delivery of a Lease Supplement. Each Lease Supplement must be approved by the City and the Corporation and no Lease Supplement will be effective unless the total amount of Bonds outstanding after the issuance of the Series of Bonds secured by the Base Rental payments to be made pursuant to such Lease Supplement does not exceed the maximum amount of indebtedness permitted to be outstanding at such time pursuant to the Charter of the City.

TRIPLE NET LEASE

The Lease is a triple net lease and the City agrees under the Lease that each Rental Payment is to be an absolute net return to the Corporation, free and clear of any expenses, charges or set offs whatsoever.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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 by the City and County of San Francisco Finance Corporation (the "Issuer") of its City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) (the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented as of May 1, 2013, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") (as amended and supplemented, the "Indenture").

The City hereby covenants 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 (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, 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.

"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) 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 S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City 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 2012-13 Fiscal Year (which is due not later than March 27, 2014), 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 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(b).

(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:

1. the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;
2. The amount of Bonds outstanding under the Indenture, and the balance of the Reserve Fund.
3. The status of the acquisition of the Equipment, to be provided until completion of the Project financed with the Bonds.
4. Summaries of the following:
 - a. budgeted general fund revenues and appropriations;
 - b. assessed valuation of taxable property in the City; and
 - c. ad valorem property tax levy and delinquency rate.
5. A schedule of the aggregate annual debt service on tax-supported indebtedness of the City and a summary of authorized, but unissued, tax-supported indebtedness of the City.
6. A schedule of lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation.

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

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person 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, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee.

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

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate 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(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent 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, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 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. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. 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.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: May ___, 2013

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

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

Name of City: City and County of San Francisco
Name of Bond Issue: City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2013A (Equipment Program)
Date of Delivery: May ____, 2013

NOTICE IS HEREBY GIVEN 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 the Date of Delivery. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____ [to be signed only if filed]
Title _____

cc: City and County of San Francisco
Finance Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix F, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the Corporation takes no responsibility for the completeness or accuracy thereof. The Corporation 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. 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, "Securities" means the Bonds, "Issuer" means the Corporation, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC"), New York, NY, 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, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

10. The 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.

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

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

[To be reviewed / updated by Bond Counsel.]

[Date of Closing]

City and County of San Francisco
Finance Corporation
San Francisco, California

City and County of San Francisco
San Francisco, California

We have acted as Bond Counsel to our clients the City and County of San Francisco Finance Corporation (the "Corporation") and the City and County of San Francisco (the "City"), and not as counsel to any other person, in connection with the issuance by the Corporation of its \$_____ aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (the "Bonds"), dated the date of this letter.

The Bonds are issued pursuant to a Resolution adopted by the Corporation on _____, 2013 and an Indenture, ~~dated as of January 1, 1991, by and between the Corporation and U.S. Bank National Association, successor by merger to U.S. Bank Trust National Association, as trustee (the "Trustee"), as amended and restated as of~~ October 15, 1998, and as supplemented by the Twentieth Supplemental Indenture, dated as of May 1, 2013, by and between the Corporation and the Trustee (collectively, the "Indenture"). Capitalized terms not otherwise defined in this letter are used as defined in the Indenture.

In our capacity of Bond Counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, an authenticated Bond of the first maturity, the Indenture, the Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 19, dated as of May 1, 2013 (collectively, the "Equipment Lease"), between the City and the Corporation, and such other documents, matters and law as we deemed necessary to render the opinions set forth in this letter.

Based upon that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds constitute the valid and binding limited obligations of the Corporation.
2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Corporation.
3. The Equipment Lease has been duly authorized, executed and delivered by the City and the Corporation and constitutes the valid and binding obligation of the City and of the Corporation, respectively. The obligation of the City to make the Rental Payments during the term of the Equipment Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation.
4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, portions of the interest the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Corporation and City and (iii) the correctness of the legal conclusions contained in the legal opinion letters of counsel to the City and to the Corporation delivered in connection with this matter.

In rendering those opinions with respect to treatment of the interest on the Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Corporation and City. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and Equipment Lease are subject to bankruptcy, insolvency, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents mentioned in the preceding sentence, nor do we express any opinion with respect to the status or quality of title to, or interest in, any of the personal property described in or subject to the Equipment Lease, or the accuracy or sufficiency of the description of any such property contained therein, or the priority of, or the remedies available to enforce, any pledge, lien or security interest in any such assets.

The opinions rendered in this letter are stated only as of this date, and no other opinion shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement as Bond Counsel with respect to the Bonds has concluded on this date.

Respectfully submitted,

APPENDIX A

**CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES**

This Appendix contains information that is current as of March 5, 2013.

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

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

TABLE OF CONTENTS

	<u>Page</u>
CITY GOVERNMENT	3
City Charter	3
Mayor and Board of Supervisors.....	3
Other Elected and Appointed City Officers.....	4
CITY BUDGET	5
Overview	5
Budget Process	5
November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle	6
Role of Controller; Budgetary Analysis and Projections.....	7
General Fund Results; Audited Financial Statements	7
Five-Year Financial Plan.....	13
Fiscal Year 2012-13 Budget Update.....	13
City Budget Adopted for Fiscal Years 2012-13 and 2013-14	13
Impact of the State of California Budget on Local Finances	14
Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances.....	15
Budgetary Reserves and Economic Stabilization	15
Rainy Day Reserve	15
Budget Stabilization Reserve.....	16
General Reserve	16
San Francisco Redevelopment Agency Dissolution.....	17
PROPERTY TAXATION	20
Property Taxation System – General.....	20
Assessed Valuations, Tax Rates and Tax Delinquencies.....	20
Tax Levy and Collection	22
Taxation of State-Assessed Utility Property.....	24
OTHER CITY TAX REVENUES.....	25
Business Taxes	25
Transient Occupancy Tax (Hotel Tax)	26
Real Property Transfer Tax	27
Sales and Use Tax	28
Utility Users Tax	29

Emergency Response Fee; Access Line Tax	29
Parking Tax	30
INTERGOVERNMENTAL REVENUES	30
1991 Health and Welfare Realignment	30
Public Safety Sales Tax	30
Other Intergovernmental Grants and Subventions	30
Charges for Services	30
CITY GENERAL FUND PROGRAMS AND EXPENDITURES	31
General Fund Expenditures by Major Service Area	31
Baselines	32
Reserves	33
EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS	33
Labor Relations	33
San Francisco Employees' Retirement System ("SFERS" or "Retirement System")	36
Medical Benefits	41
Total City Employee Benefits Costs	45
INVESTMENTS OF CITY FUNDS	46
CAPITAL FINANCING AND BONDS	48
Capital Plan	48
Tax-Supported Debt Service	49
General Obligation Bonds Authorized but Unissued	50
Refunding General Obligation Bonds	51
Lease Payments and Other Long-Term Obligations	52
Commercial Paper Program	53
Board Authorized and Unissued Long-Term Obligations	54
Overlapping Debt	54
MAJOR ECONOMIC DEVELOPMENT PROJECTS	56
Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point	57
Treasure Island	57
Piers 30-32 and Seawall Lot (SWL) 330 – Warrior's Multipurpose Recreation and Entertainment Venue	57
Transbay	58
Mission Bay	58
Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)	58
Pier 70	59
Cruise Terminal	59
America's Cup	59
Moscone Convention Center	60
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES	60
Article XIII A of the California Constitution	61
Article XIII B of the California Constitution	61
Articles XIII C and XIII D of the California Constitution	61
Statutory Limitations	62
Proposition 1A	63
Proposition 22	63
Proposition 26	64
Future Initiatives	64
LITIGATION AND RISK MANAGEMENT	64
Pending Litigation	64
Risk Retention Program	65

CITY GOVERNMENT

City Charter

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

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

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

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. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. 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 and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor is the chief executive officer of the City, with responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term as Mayor on November 8, 2011. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the City Administrator from 2005 up until his appointment to Mayor. He also previously served in each of the

following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

Table A-1 lists the current members of the Board of Supervisors

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
David Chiu, <i>Board President, District 3</i>	2008	2017
Mark Farrell, <i>District 2</i>	2010	2015
John Avalos, <i>District 11</i>	2008	2013
David Campos, <i>District 9</i>	2008	2017
Katy Tang, <i>District 4</i>	2013	2013
Jane Kim, <i>District 6</i>	2010	2015
Scott Wiener, <i>District 8</i>	2010	2015
Norman Lee, <i>District 7</i>	2012	2017
Eric Mar, <i>District 1</i>	2008	2017
Malia Cohen, <i>District 10</i>	2010	2015
London Breed, <i>District 5</i>	2012	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. The City Attorney represents the City in legal proceedings in which the City has an interest. 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.

Carmen Chu was appointed Assessor-Recorder of the City by Mayor Lee in February 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to serve as the City's representative on the Board of Supervisors to the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2009. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

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. 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. 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, 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 a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7, 2012. 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. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. For the first time in July 2012 the City adopted a full two-year budget. The City's fiscal year 2012-13 adopted budget appropriates annual revenues, fund balance, transfers, and reserves of approximately \$7.35 billion, of which the City's General Fund accounts for approximately \$3.49 billion. In fiscal year 2013-14 appropriated revenues, fund balance, transfers and reserves total approximately \$7.57 billion and \$3.60 billion of General Fund budget. For a further discussion of the fiscal years 2012-13 and 2013-14 adopted budgets, see "City Budget Adopted for fiscal years 2012-13 and 2013-14" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes, and charges for services. A significant portion of the City's revenues comes in the form of intergovernmental transfers from the State and federal governments. Thus the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and on budgetary decisions made by the State and Federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors, and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. 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.

Budget Process

The City's fiscal year commences on July 1. 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 the complete 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 accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year

capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

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

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

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

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Two-year budgets have been prepared for the following four pilot departments in fiscal year 2010-11: the Airport, the Port, the Public Utilities Commission, and MTA. MTA already implemented a two-year budgeting process as a result of the passage of a previous measure, also known as Proposition A, in November 2007. Two-year budgets were prepared for all departments beginning in fiscal year 2012-13.
- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The first five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was adopted by the Board of Supervisors on June 7, 2011, and was updated on March 7, 2012. A new five-year financial plan, covering fiscal years 2013-14 through 2017-18 was introduced to the Board of Supervisors on March 5, 2013. See "Five Year Financial Plan" below.
- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15. Charges the Controller's Office with proposing 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 of any subsequent year.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent

on nonrecurring expenditures. These policies are described in further detail below. The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; 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 City 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 City 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 City 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 annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City 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 City Controller issued the most recent of these reports, the fiscal year 2012-13 Six Month Budget Status Report (the "Six Month Report"), on February 12, 2013. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. The Board of Supervisors approved the City's first Five-Year Financial Plan on June 7, 2011. On March 7, 2012, an update to the Five-year Financial Plan was released by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst. The next Five Year Financial Plan will be published in early March, 2013. See "Five Year Financial Plan" below. Finally, as discussed above, the City Charter directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 14, 2012 the Controller released the Annual Revenue Letter (the "Annual Revenue Letter") reviewing the proposed fiscal year 2012-13 and 2013-14 Budget. All of these reports are available from the City Controller's website: www.sfcontroller.org. The information from the said website is not incorporated herein by reference.

General Fund Results; Audited Financial Statements

The General Fund portions of the fiscal year 2012-13 and fiscal year 2013-14 Original Budgets total \$3.49 billion, and \$3.60 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port, and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2009-10 through 2011-12 and the Original Budgets for fiscal years 2012-13 and 2013-14. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2011-12 was issued on January 8, 2013. The fiscal year 2011-12 CAFR reported that as of June 30, 2012, the General Fund available for appropriation in subsequent years was \$220.3 million (see Table A-4), of which \$104.3 million was assumed in the fiscal year 2012-13 Original Budget and \$103.6 million was assumed in the fiscal year 2013-14 Original Budget, and \$11.7 million remains available for future appropriations. This represents a \$51.8 million increase in available fund balance over the \$168.5 million available as of June 30, 2011 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly payroll and property transfer tax revenues, in fiscal year 2011-12. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled \$31.1 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO

**Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2009-10 through 2013-14**

	(000s)				
	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Final Revised	Final Revised	Final Revised	Original	Original
	Budget	Budget	Budget	Budget ²	Budget ²
Prior-Year Budgetary Fund Balance & Reserves	\$390,512	\$312,040	\$427,886	\$120,654	\$120,027
<u>Budgeted Revenues</u>					
Property Taxes	\$1,021,015	\$984,843	\$1,028,677	\$1,078,083	\$1,109,675
Business Taxes	371,848	342,350	389,878	452,806	488,811
Other Local Taxes	456,140	528,470	602,455	733,295	748,852
Licenses, Permits and Franchises	25,138	23,242	24,337	25,332	25,665
Fines, Forfeitures and Penalties	11,662	3,794	7,710	7,174	7,133
Interest and Investment Earnings	10,984	9,547	6,050	6,776	5,798
Rents and Concessions	19,884	22,346	22,894	21,424	20,964
Grants and Subventions	686,058	681,090	679,486	700,184	721,213
Charges for Services	146,680	145,443	153,678	166,763	171,774
Other	21,713	30,929	19,232	17,640	19,866
Total Budgeted Revenues	\$2,771,122	\$2,772,054	\$2,934,397	\$3,209,477	\$3,319,751
Bond Proceeds & Repayment of Loans	1,725	785	589	627	2,434
<u>Expenditure Appropriations</u>					
Public Protection	\$954,816	\$951,516	\$991,840	\$1,058,689	\$1,087,646
Public Works, Transportation & Commerce	44,276	25,763	53,878	67,529	64,921
Human Welfare & Neighborhood Development	657,274	650,622	677,953	670,375	679,154
Community Health	481,805	513,625	573,970	609,892	620,199
Culture and Recreation	93,755	100,043	99,762	111,066	113,787
General Administration & Finance	174,907	178,709	190,014	197,994	207,196
General City Responsibilities ¹	96,336	88,755	99,274	103,613	111,085
Total Expenditure Appropriations	\$2,503,169	\$2,509,032	\$2,686,691	\$2,819,159	\$2,883,988
Budgetary reserves and designations, net	\$16,653	\$6,213	\$11,112	\$51,756	\$42,948
Transfers In	\$94,678	\$119,027	\$160,187	\$155,950	\$155,782
Transfers Out	(564,945)	(504,740)	(567,706)	(615,793)	(671,058)
Net Transfers In/Out	(\$470,267)	(\$385,713)	(\$407,519)	(\$459,843)	(\$515,276)
<u>Budgeted Excess (Deficiency) of Sources</u>					
Over (Under) Uses	\$173,270	\$183,921	\$257,550	\$0	\$0
Variance of Actual vs. Budget	138,770	243,965	299,547		
Total Actual Budgetary Fund Balance	\$312,040	\$427,886	\$557,097	\$0	\$0

¹ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

² FY 2012-13 and FY 2013-14 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

The City prepares its budget on a modified accrual basis. 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. The audited General Fund balance as of June 30, 2012 was \$455.7 million (as shown in Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$3.2 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2008 through June 30, 2012.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO

**Summary of
Audited General Fund Balances**

Fiscal Year Ended June 30 ¹

(000s)

	2008	2009	2010	2011	2012
Restricted for rainy day (Economic Stabilization account)	\$117,556	\$98,297	\$39,582	\$33,439	\$31,099 ²
Restricted for rainy day (One-time Spending account)	236	-	-	-	3,010 ²
Committed for budget stabilization (citywide)	-	-	-	27,183	74,330
Committed for Recreation & Parks expenditure savings reserve	3,266	6,575	4,677	6,248	4,946 ²
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	63,068	65,902	69,562	57,846	62,699 ²
Assigned for appropriation carryforward	99,959	91,075	60,935	73,984	85,283 ²
Assigned for baseline appropriation funding mandates	1,491	-	-	-	- ²
Assigned for budget savings incentive program (citywide)	16,181	-	-	8,684	22,410 ²
Assigned for salaries and benefits (MOU)	12,777	316	4,198	7,151	7,100 ²
Assigned for litigation	2,626	-	-	-	- ²
Total Fund Balance Not Available for Appropriation	\$317,160	\$262,165	\$178,954	\$214,535	\$290,877 ³
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies	\$38,969	\$32,900	\$27,758	\$44,900	\$23,637 ⁴
Assigned for General reserve	-	-	-	-	\$22,306
Assigned for subsequent year's budget	105,064	95,447	105,328	159,390	104,284 ⁵
Unassigned (available for future appropriation)	-	-	-	9,061	115,993
Total Fund Balance Available for Appropriation	\$144,033	\$128,347	\$133,086	\$213,351	\$266,220 ⁶
Total Fund Balance, Budget Basis	\$461,193	\$390,512	\$312,040	\$427,886	\$557,097
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$461,193	\$390,512	\$312,040	\$427,886	\$557,097
Unrealized gain or loss on investments	(2,629)	(1,148)	1,851	1,610	6,838
Nonspendable fund balance	11,358	11,307	14,874	20,501	19,598 ⁷
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(34,629)	(56,426)	(71,967)	(43,072)	(46,140)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(26,071)	(37,940)	(55,938)	(63,898)	(62,241)
Deferred Amounts on Loan Receivables	(3,587)	(4,630)	(9,082)	(13,561)	(16,551)
Pre-paid lease revenue	-	-	-	(1,460)	(2,876)
Total Fund Balance, GAAP Basis	\$405,635	\$301,675	\$191,778	\$328,006	\$455,725

¹ Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011 fund balance amounts.

² Prior to 2011, each line item was titled "reserved" for the purpose indicated

³ Prior to 2011, titled "Total Reserved Fund Balance"

⁴ Prior to 2011, titled "Designated for litigation and contingencies"

⁵ Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"

⁶ Prior to 2011, titled "Total Unreserved Fund Balance"

⁷ Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

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

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2012 are included herein as Appendix B - "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2012." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement

of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

[Remainder of Page Intentionally Left Blank.]

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Year Ended June 30 ¹
(000s)

	2008	2009	2010	2011	2012
Revenues:					
Property Taxes	\$939,812	\$999,528	\$1,044,740	\$1,090,776	\$1,056,143
Business Taxes ²	394,267	387,313	353,471	391,057	435,316
Other Local Taxes	519,867	479,194	520,733	608,197	751,301
Licenses, Permits and Franchises	23,212	24,750	24,249	25,252	25,022
Fines, Forfeitures and Penalties	8,398	5,618	17,279	6,868	8,444
Interest and Investment Income	15,779	9,193	7,900	5,910	10,262
Rents and Concessions	19,490	19,096	18,733	21,943	24,932
Intergovernmental	649,923	645,365	651,074	657,238	678,808
Charges for Services	135,473	135,926	138,615	146,631	145,797
Other	17,948	11,199	21,856	10,377	17,090
Total Revenues	\$2,724,169	\$2,717,182	\$2,798,650	\$2,964,249	\$3,153,115
Expenditures:					
Public Protection	\$881,009	\$889,594	\$948,772	\$950,548	\$991,275
Public Works, Transportation & Commerce	69,944	61,812	40,225	25,508	52,815
Human Welfare and Neighborhood Development	613,135	630,112	632,713	610,063	626,194
Community Health	454,935	487,638	473,280	493,939	545,962
Culture and Recreation	105,036	97,415	94,895	99,156	100,246
General Administration & Finance	196,430	170,109	169,980	175,381	182,898
General City Responsibilities	71,885	73,904	87,267	85,422	96,132
Total Expenditures	\$2,392,374	\$2,410,584	\$2,447,132	\$2,440,017	\$2,595,522
Excess of Revenues over Expenditures	\$331,795	\$306,598	\$351,518	\$524,232	\$557,593
Other Financing Sources (Uses):					
Transfers In	\$70,969	\$136,195	\$94,115	\$108,072	\$120,449
Transfers Out	(543,640)	(550,910)	(559,263)	(502,378)	(553,190)
Other Financing Sources	5,050	4,157	3,733	6,302	3,682
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(\$467,621)	(\$410,558)	(\$461,415)	(\$388,004)	(\$429,059)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency					(815)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(\$135,826)	(\$103,960)	(\$109,897)	\$136,228	\$127,719
Total Fund Balance at Beginning of Year	\$541,461	405,635	\$301,675	\$191,778	\$328,006
Total Fund Balance at End of Year -- GAAP Basis	\$405,635	\$301,675	\$191,778	\$328,006	\$455,725
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$77,117	\$28,203	(\$2,050)	\$48,070	\$133,794 ³
-- Budget Basis	\$105,064	\$95,447	\$105,328	\$168,451	\$220,277 ⁴

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 carry forwards 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 Does not include Business Taxes allocated to special revenue fund for the Community Challenge Grant program.

³ Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

⁴ Total for FY 2011-12 amount is comprised of \$104.3 million in assigned balance subsequently appropriated for

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

Five-Year Financial Plan

The Five-Year Financial Plan is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the plan 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. The first Five-Year Financial Plan, covering fiscal years 2011-12 through 2015-16, was prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors on June 7, 2011. An update to the adopted Five-Year Financial Plan was prepared by the Controller's Office, Mayor's Office and Board of Supervisors Budget Analyst on March 7, 2012.

A new proposed Five-Year Financial Plan was introduced to the Board of Supervisors on March 5, 2013. For General Fund Supported Operations for fiscal year 2013-14 through fiscal year 2017-18, this proposed Plan projected budgetary shortfalls of \$124 million, \$256 million, \$368 million, \$423 million and \$487 million over the next five fiscal years. The \$487 million figure is a significant improvement from the first Five-Year Financial Plan which in 2011 projected a five-year shortfall of \$829 million. This Plan projected continued recovery in local tax revenues. However, projected increases in employee salary and benefits, citywide operating expenses, and departmental costs are rising faster than projected revenue growth. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls will decrease.

The Mayor will submit a balanced two-year budget for fiscal year 2013-14 and fiscal year 2014-15 to the Board of Supervisors by June 1, 2013, closing the \$124 million and \$256 million budget gaps identified in the proposed Five Year Financial Plan. Strategies used to balance the budget are discussed in the budget section below. To the extent that the Mayor's budget is balanced with ongoing savings or revenues, this will reduce the projected deficits for subsequent fiscal years.

The City currently projects revenue growth of \$578 million over the five-year period of this Plan, and expenditure growth of \$1.065 billion. Employee pension costs, wages and other benefit growth are the single largest driver of cost growth and the imbalance between revenues and expenditures, growing by \$459 million, 43% of the total expenditure growth, during the five years of the plan. Other costs projected to increase include: Citywide Operating Costs (\$298 million, 28% of expenditure growth), Department of Public Health specific cost increases (\$133 million, 13%), Charter Mandated Baseline and Reserve Changes (\$118 million, 11%), and Other Department Specific Cost Increases (\$57 million, 5%).

The Plan proposes the following strategies to restore fiscal stability: controlling capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; adjustments to baselines and revenue allocations; limiting growth in contract and materials costs; reduced reliance on non-recurring revenues and savings; and ongoing departmental revenues and savings initiatives.

Fiscal Year 2012-13 Budget Update

On February 12, 2013, the Controller's Office issued a Six Month Budget Status report which projected the General Fund would end fiscal year 2012-13 with a balance of \$174.0 million. The surplus is made up of \$11.7 million in better than anticipated starting fund balance, \$72.1 million in better than anticipated Citywide revenues, offset by a net departmental operating shortfall of \$18.9 million. Of this fiscal year 2012-13 ending balance, \$103.6 million has already been appropriated in the fiscal year 2013-14 budget, and \$32.2 million will be required to bring the General Reserve to mandated levels, leaving a surplus of \$38.3 million available for appropriation. The general revenue improvements are driven primarily by continued growth in local economic activity resulting in improved outlooks for real property transfer tax, payroll tax, hotel tax and interest income.

City Budget Adopted for Fiscal Years 2012-13 and 2013-14

On July 25, 2012, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2013 and June 30, 2014. This is the first two-year budget for the entire City, as directed by the November 2009 voter-approved Charter amendment. The Controller's Office issued its required Controller's Discussion of the Mayor's fiscal year 2012-13 and fiscal year 2013-14 Proposed Budget on June 14, 2012. The Mayor's budget closed the \$170 million and \$312 million general fund shortfalls for fiscal year 2012-13 and fiscal year 2013-14 identified in the Five Year Financial Plan Update and accommodated \$36 million of additional expenditure increases in each year through a combination of (a) increased sources totaling \$90 million

and \$104 million respectively, made up of improved general fund revenue projections (\$44 million and \$40 million), additional fiscal year 2010-11 available fund balance (\$28 million each year), reallocating more hotel tax revenues to the General Fund (\$4 million and \$13 million), increased State realignment funds (\$10 million each year), and one-time sources of \$5 million and \$12 million; plus (b) Citywide and departmental savings totaling \$97 million and \$206 million respectively, made up of negotiated wage and benefit cost control (\$13 million and \$55 million), reduced funding for growth in non-personnel expenditures (\$22 million and \$48 million), deferrals in education enrichment fund allocations to the San Francisco Unified School District and First Five Commission (\$18 million each year), reduced State revenue loss allowance funding (\$15 million and \$30 million), use of budget savings incentive reserve funds derived from Departmental expenditure savings to pay for one-time expenditures (\$8 million and \$9 million), other citywide savings from reduced capital equipment and information technology spending and from debt restructuring (\$21 million and \$45 million respectively), and department-specific savings (\$53 million and \$69 million).

On June 29, 2012 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with revisions totaling \$17 million in fiscal year 2012-13 and \$15 million in fiscal year 2013-14. The revisions were funded by \$14 million in Committee reductions to the Mayor's budget and \$18 million of additional sources identified by the Mayor, including \$9 million in additional expenditure savings identified from fiscal year 2011-12, \$6.1 million in additional fiscal year 2010-11 Property Transfer Tax revenue above the amount required to be deposited in the Budget Stabilization Reserve and to fund baseline transfers, \$2.4 million in leftover funds in the budget's technical adjustment reserve and \$1 million from a reduction in a Small Business Revolving Loan fund.

The Original Budget for fiscal years 2012-13 and 2013-14 totals \$7.35 billion and \$7.57 billion respectively, representing increases over prior year of \$520 million and \$220 million. The General Fund portion of each year's budget is \$3.49 billion in fiscal year 2012-13 and \$3.60 billion in fiscal year 2013-14 representing consecutive increases of \$290 million and \$110 million. There are 26,901 funded positions in the fiscal year 2012-13 Original Budget and 27,124 in the fiscal year 2013-14 Original Budget representing prior year increases of 719 and 223 respectively.

In addition to being the first two-year budget, the budget for fiscal years 2012-13 and 2013-14 was the first to adhere to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), 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.

Impact of the State of California Budget on Local Finances

The State continues its slow but steady economic recovery. Revenues from the State represent approximately 15% of the General Fund revenues appropriated in the fiscal year 2012-13 Original Budget, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2012, Governor Brown signed the 2012-13 California State budget into law. The budget closed a \$15.7 billion deficit and included a reserve of \$948 million. The budget assumed, and voters approved, the Governor's

initiative on the November 2012 ballot, which contained five- and seven- year tax increases as well as constitutional guarantees of county funding for the fiscal year 2011-12 realignment of public safety and welfare program responsibilities and funding formulas.

The City's Original Budget for fiscal year 2012-13 budget included a \$15 million allowance for State funding reductions that could be used to offset the impact of cuts in the State budget. The impact of the State budget on San Francisco falls mainly on individuals and families in the City who rely upon State childcare credits, income support and in-home support services. City finances will be impacted to the extent that the Board of Supervisors chooses to backfill programs cut by the State.

Governor Brown released his proposed fiscal year 2013-14 budget on January 10, 2013. Revenues and expenditures are generally in balance due to voter-approved tax increases, economic recovery and prior reductions, and the budget forecasts a \$1 billion budgetary balance. With the exception of education funding, State service and funding levels in the budget generally continue at levels established in fiscal year 2012-13. Both the State Department of Finance and the Legislative Analyst's Office forecast a similar situation for fiscal year 2014-15.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On January 2, 2013, the federal government reached a temporary budget solution that reduced the level of cuts associated with sequestration in the current fiscal year and postponed the effects of federal sequestration until March 1st. As of February 21, 2013, the total estimated impact to the City and County of San Francisco in the current year is approximately \$25.2 million. Of this total, \$3.6 million is cuts to education programs and \$9.3 million is reductions to housing, energy and transportation programs outside the General Fund. The remaining \$12.3 million in reductions affect housing, health and human services programs. The fiscal effect of the reductions will be determined by the extent to which the Board of Supervisors chooses to backfill them. The only certain reduction to City revenue is the loss of \$2.0 million in Medicare revenue. The exact value of any reductions will depend on implementation details, which has not yet been determined.

Budgetary Reserves and Economic Stabilization

Under the 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. 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. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2011-12 revenue exceeded the deposit threshold, resulting in a \$6.0 million deposit to the Rainy Day Reserve Economic Stabilization Fund and a \$3.0 million deposit to the One-Time Capital Expenditures account.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion 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). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Except for the transfer to SFUSD described below, no draw from the Rainy Day Reserve is budgeted in fiscal years 2012-13 and 2013-14.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. In fiscal year 2011-12, \$8.4 million was appropriated to be transferred to the SFUSD to partially offset SFUSD's planned layoffs and declining per-pupil revenues. On January 15, 2013, the Mayor introduced legislation to increase the fiscal year 2012-13 appropriations to \$7.8 million, or 25% of the current reserve balance, an increase of \$1.5 million over budget. If the Board of Supervisors chooses to allocate the full 25% of the balance in fiscal year 2013-14, \$5.8 million would be appropriated, an increase of \$1.1 million over budget. Original Budget Assuming no other withdrawals or deposits, this would leave a balance remaining in the Rainy Day Reserve at the end of fiscal year 2013-14 of \$17.5 million.

On April 13, 2010, the Board of Supervisors unanimously approved the City Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: General Reserve and the Budget Stabilization Reserve described below.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues to the new reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling 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 fiscal year 2011-12 ending balance in the reserve was \$74.3 million due to deposits of transfer tax revenue and year-end unassigned General Fund balances above projections. A projected \$20.5 million deposit of excess real property transfer tax receipts in the current year will bring the balance in the reserve to be \$94.9 million.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve; however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn. In the second year, the maximum withdrawal is 50%, and in the third year, the entire remaining balance may be drawn.

General Reserve

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to one percent of budgeted regular General Fund revenues, or \$32.2 million, in fiscal year 2012-13. The required starting balance of the reserve increases to 2% of General Fund revenues by fiscal year 2016-17.

San Francisco Redevelopment Agency Dissolution

On February 1, 2012, the San Francisco Redevelopment Agency (the "SFRDA") ceased to exist by operation of law as a result of Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), and a recent California Supreme Court decision described below. AB 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statute of 2011-12) ("AB1484" and together with AB 26, the "Dissolution Act").

The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to AB 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. On January 26, 2012 the City adopted a Board of Supervisors resolution providing for the City to become the successor agency to the SFRDA (the "Successor SFRDA"). The resolution also approved the retention by the City of all the affordable housing assets of the SFRDA (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the Mayor's Office of Housing to manage the housing assets and exercise the housing functions that the SFRDA formerly performed. The resolution places most of the non-housing assets of the SFRDA under the jurisdiction of the Director of the Department of Administrative Services.

Pursuant to AB 1484, the Successor SFRDA is a separate public agency from the City, and the assets and liabilities of the former SFRDA will not be transferred to the City. The Successor SFRDA will succeed to the organizational status of the former SFRDA, but without any legal authority to participate in redevelopment activities, except in connection with approved enforceable obligations as provided in the Dissolution Act. In general, the debt of the former SFRDA will become the debt of the Successor SFRDA as the SFRDA's successor agency. Such debt will be payable only from the property tax revenues (former tax increment) or other revenue sources that originally secured such debt. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds.

There are significant uncertainties regarding the meaning of certain provisions of the Dissolution Act and the impact of the Dissolution Act on the City, including, among other matters, the obligation imposed on the City in performing its duties as Successor SFRDA, performing the enforceable obligations as Successor SFRDA, paying the debt of the former SFRDA as Successor SFRDA and completing certain projects of the former SFRDA. Future legislation and court decisions may clarify some of these uncertainties. There is also uncertainty about how the City may pursue certain community development goals that the former SFRDA undertook and that are not covered by enforceable obligations, and the City's use of alternative funding sources for projects and programs to pursue such goals.

The total General Fund impact of the dissolution will depend on State decisions regarding the use of tax increment in redevelopment project areas. The State may or may not allow the redevelopment successor agency to retain cash balances to meet contractual obligations for affordable housing and infrastructure improvements. Property tax revenue estimates in the proposed Five Year Financial Plan assume tax increment is used for debt service, to meet obligations made to developers, and approximately \$3.4 million annually for non-debt service uses, resulting in residual tax increment available to be distributed to the taxing entities of approximately \$25.6 million in fiscal year 2013-14, rising to approximately \$42.3 million in fiscal year 2017-18, of which just under 57% would be allocated to the General Fund. This amount could increase depending on uses allowed by the State.

AB 26 and Supreme Court Decision

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("Matosantos") regarding the constitutionality of two budget bills involving redevelopment, AB 26 and ABX1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("AB 27"). AB 26 dissolved all redevelopment agencies, and designated "successor agencies" with certain powers and duties. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB 26, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos* the Court upheld AB 26 requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of AB 26.

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the former SFRDA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the former SFRDA, will be allocated to the applicable Redevelopment Property Tax Trust Fund created by the County Auditor-Controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

The Dissolution Act requires successor agencies, such as the Successor SFRDA, to continue to make payments and perform other obligations required under enforceable obligations for former redevelopment agencies. AB 26 defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds (but as discussed below, the City's costs of performing its obligations under AB 26 and of pursuing the economic development goals of the former SFRDA are uncertain and could be significant).

Payment of Enforceable Obligations

The tax allocation bonds ("TABs") issued by the former SFRDA are secured solely by property tax revenues from the designated redevelopment project areas (former increment) formerly payable to the SFRDA (and now available to the Successor SFRDA to pay debt service on the TABs) and from certain funds and accounts established pursuant to the trust agreement relating to each series of the TABs. The City, as Successor SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any TABs, except from property tax revenues from the redevelopment project area allocated to the Successor SFRDA and pledged to repayment of the TABs. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the TABs. The TABs are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the property tax revenues from the redevelopment project area allocated to the Successor SFRDA and pledged to repayment of the TABs or the property or assets that the Successor SFRDA acquired as a successor agency to the former SFRDA under the Dissolution Act and that are pledged for such purposes.

In addition, the hotel tax bonds issued by the SFRDA are secured solely by amounts legally available to be received by or on behalf of the former SFRDA (and now available to the City as Successor Agency to the SFRDA to pay debt service on the hotel tax bonds) from the levy of 12% hotel tax ("Hotel Taxes") on all hotels within specific redevelopment project areas and from certain funds and accounts established pursuant to the indenture relating to the hotel tax bonds. The City, as Successor SFRDA, is not obligated to pay the principal of, premium, if any, or interest on any hotel tax bonds except from Hotel Taxes allocated to the Successor SFRDA. The hotel tax bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any property of the City or any of its income or receipts, except the Hotel Taxes allocated to the City or Successor SFRDA.

Pursuant to the Dissolution Act, enforceable obligations (which, as mentioned above, include bonds as defined in the act) continue to exist. Nothing in the Dissolution Act is intended to give rise to or cause a default under documents governing enforceable obligations, or absolve a successor agency of payment or other obligations imposed by enforceable obligations. The Dissolution Act provides that pledges of revenues for enforceable obligations are to be honored.

Under the Dissolution Act, the County Auditor-Controller is required to determine the amount of property taxes that the redevelopment agencies would have received had they not been dissolved pursuant to the Dissolution Act, using assessed values on the last equalized roll on August 20, statutory formulas or contractual agreements with taxing

entities, and deposit such amount in the Redevelopment Property Tax Trust Fund. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and the taxing entities that receive pass-through payments and property tax distributions.

Oversight Board

The Dissolution Act requires successor agencies to create a new Oversight Board to be composed of seven members and to act by majority vote. There are special provisions for appointment of the members for a consolidated city and county, such as the City: three members are appointed by the Mayor of the City and confirmed by the Board of Supervisors, one member by the Superintendent of Schools to represent the schools in the City, one member is appointed by the largest special district (by property tax share) with territory within the territorial jurisdiction of the former redevelopment agency (BART), one member by the Chancellor of the California Community Colleges to represent community college districts in the City, and one member is appointed by the Mayor of the City subject to confirmation by the Board of Supervisors representing employees of the former SFRDA. On January 24, 2012 the Board of Supervisors approved the Mayor's four appointments to the Oversight Board. In accordance with AB 26, the Oversight Board was established by May 1, 2012.

The Oversight Board and the Department of Finance has approved the ROPS for January 1, 2013 to June 30, 2013.

Impact of Dissolution Act and Information concerning SFRDA

Although provisions have been made under the Dissolution Act to provide funds (i.e. property tax revenues) to continue certain enforceable obligations of the Successor SFRDA, the costs of performing its duties under the Dissolution Act, including performing all enforceable obligations of the former SFRDA, and pursuing community development goals that the former SFRDA undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The following includes a very brief summary of certain financial and operating information relating to SFRDA. The provisions of the Dissolution Act are unclear as to numerous aspects of the operations and finances of the Successor SFRDA, including but not limited to the administration of enforceable obligations (including bonds), the flow and uses of tax increment moneys and the disposition of SFRDA assets. Therefore, there are significant uncertainties regarding the finances and operations of the Successor SFRDA entity and administration of its bonds once the City became the successor agency to the SFRDA. Interpretations and clarification of AB 26 are likely to come from future State legislation or administrative guidance and court decisions. At present, the City cannot predict many aspects or the overall outcome of AB 26 on the City's finances and the SFRDA bonds; however it is likely that at least certain aspects of the implementation of AB 26 may materially impact the finances of the City and may materially impact the SFRDA bonds. Further, future redevelopment and housing activities in the City that would have been undertaken by the SFRDA had it continued in existence will no longer occur if they are not required under preexisting enforceable obligations.

Commencing with the fiscal year ending June 30, 2012, the City included financial information pertaining to the former SFRDA in the City's audited financial statements.

The City is the Successor SFRDA as of February 1, 2012. The most recent financial statement for the former SFRDA found that the successor agency held total assets of \$431,415,194 against total liabilities of \$1,095,588,434, including bonds and loans in the amount of \$1,063,480,959 as of June 30, 2012.

The former SFRDA had certain investments that were transferred to the Treasurer to hold and invest (use of these funds is subject to various legal restrictions). Such funds will be invested pursuant to the Treasurer's Investment Policy.

Except for a small group of unrepresented employees, the former SFRDA employees are in bargaining groups represented by the International Federation of Professional and Technical Employees (IFPTE) Local 21 and Service Employees International Union (SEIU) Local 1021.

The former SFRDA had approximately 100 employees for fiscal year 2012 who became employees of the Successor SFRDA, and the Successor SFRDA must comply with the former SFRDA's collectively bargained agreements

applicable to these employees until the expiration of those agreements. Wages and benefits payable to employees under those agreements are to be paid as enforceable obligations from the monies in the Redevelopment Property Tax Trust Fund. Under the former SFRDA collectively bargained agreements, the former SFRDA employees currently participate in the California Public Employees Retirement System ("CalPERS") for their pension plan and health care plan and the California Employers' Retiree Trust ("CERBT") Fund to fund other postemployment benefits ("OPEB"). The 2012 financial statement for the former SFRDA reports that unfunded actuarial accrued liability ("UAAL") of the CalPERS plan for the SFRDA employees was \$4.1 million as of June 30, 2011 and that the UAAL of the OPEB plan was \$12.5 million as of June 30, 2011.

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay City 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 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-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-25: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor SFRDA. 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 the Successor SFRDA to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor SFRDA received \$110 million of property tax increment in fiscal year 2011-12, diverting about \$62 million that would have otherwise been apportioned to the City's discretionary general fund. Pursuant to a December 29, 2011 California State Supreme Court ruling, the dissolution of all redevelopment agencies was effective February 1, 2012. The City took steps to manage the transition of the former SFRDA's assets and obligations to the Successor SFRDA. See "San Francisco Redevelopment Agency Dissolution" herein.

The percent collected of property tax (current year levies excluding supplementals) has increased slightly from 97.96% for fiscal year 2010-11 to 98.18% for fiscal year 2011-12. Please note that this table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with

statistical reports provided to the State of California. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 804 for fiscal year 2011-12. This compares to 927 in fiscal year 2010-11, 900 in fiscal year 2009-10, and 633 in fiscal year 2008-09. This represents 0.32%, 0.45%, 0.46%, and 0.40% of total parcels in fiscal years 2008-09, 2009-10, 2010-11, and 2011-12, respectively.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2007-08 through 2012-13
(000s)

Fiscal Year	Net Assessed Valuation (NAV) ¹	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2007-08	\$130,004,479	8.5%	1.141	\$1,509,697	\$1,476,650	97.81%
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.60%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.54%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,929,519	n/a	n/a

¹

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 FY 2011-12 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported on Treasurer/Tax Collector Report 100 and reported to the State of California (available on the website of the California State Controller's Office). Total Tax Levy for FY 2012-13 based on NAV times 1.1691% tax rate.~~

Note: This table has been modified from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

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

For fiscal year 2012-13, the total net assessed valuation of taxable property within the City is \$165.04 billion. Of this total, \$155.28 billion (94.1%) represents secured valuations and \$9.76 billion (5.9%) represents unsecured valuations. (See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

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

Under Article 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. Every year, some taxpayers appeal the Assessor's determination of their properties' assessed value, and some of 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. With respect to the fiscal year 2012-13 levy, property owners representing approximately 17.8% of the total assessed valuation in the City filed appeals as of January 31, 2013 for a reduction of their assessed value.

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

the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary general fund appeal reserve fund for fiscal years 2007-08 through 2011-12 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund AAB Reserve
(000s)

Year Ended	Amount Refunded from Discretionary General Fund
June 30, 2008	20,914
June 30, 2009	7,288
June 30, 2010	14,015
June 30, 2011	41,730
June 30, 2012	53,288

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

In Spring 2012, the Assessor granted 21,228 temporary reductions in residential property assessed value worth a total of \$2.82 billion (equating to a reduction of about \$16.0 million in discretionary general fund taxes), compared to 18,834 temporary reductions with a value of \$2.35 billion (equating to a reduction of \$13.3 million in discretionary general fund taxes) granted in Spring 2011. The fiscal year 2012-13 \$2.82 billion temporary reduction total represented 1.71% of the fiscal year 2012-13 Net Assessed Valuation of \$165.04 billion shown in Table A-5. The average temporary reduction in assessed value granted, excluding timeshare properties, increased from \$171,388 in 2011 to \$175,980 in 2012. 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 of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of February 28, 2013, the total number of open appeals before the Assessment Appeals Board (AAB) was 9,386, compared to 9,656 open AAB appeals as of February 28, 2012, including 5,146 filed since July 1, 2012 with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is \$38.8 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of \$445.7 million with an impact on the discretionary general fund of \$234.6million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District, and BART. The total tax levy for all taxing entities in fiscal year 2012-13 is estimated to produce \$1.93 billion, not including supplemental, escape, and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive \$1.078 billion into the General Fund and \$119.2 million into special revenue funds designated for children's programs, libraries and open space. The Six Month Report projected property tax revenues into the General Fund to be \$14 million above budget. SFUSD and SFCCD are estimated to receive \$116.8 million and \$21.9 million, respectively, and the local ERAF is estimated to receive \$384.4 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill

shifts). The Successor SFRDA is estimated to receive \$114.8 million. The remaining portion is allocated to various other governmental bodies, various special funds, 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 57% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

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

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

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

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment 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-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
(000s)

Year Ended	Amount Funded
June 30, 2008	14,330
June 30, 2009	16,220
June 30, 2010	17,507
June 30, 2011	17,302
June 30, 2012	17,980

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 ending June 30, 2013 are shown in Table A-8. 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 table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
Fiscal Year 2012-13
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value ¹	% of Basis of Levy ²
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	\$922,558	0.56%
Paramount Group Real Estate Fund	1 Market St	3713 007	Commercial Office	755,777	0.46%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	422,217	0.25%
HD333 LLC	333 Market St	3710 020	Commercial Office	394,666	0.24%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	389,419	0.24%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	379,674	0.23%
S F Hilton Inc	1 Hilton Square	0325 031	Commercial Hotel	376,676	0.23%
SHR St Francis LLC	301-345 Powell St	0307 001	Commercial Hotel	367,002	0.22%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	360,181	0.22%
One Embarcadero Center Venture	1 The Embarcadero	0230 028	Commercial Office	337,278	0.20%
				\$4,705,447	2.84%

1 - 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.

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

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 2012-13 valuation of property assessed by the State Board of Equalization is \$2.58 billion, as recorded on the fiscal year 2012-13 Certificate of Assessed Valuation.

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 TAX 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.

Business Taxes

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes to the tax exempted small businesses with annual payroll of less than \$250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately \$10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from \$25 to \$500 per year per subject business based on the prior year computed payroll tax liability.

Business taxes are projected in the Six Month report to be \$460.5 million in fiscal year 2012-13 representing an increase of \$7.7 million (1.7%) over fiscal year 2012-13 Original Budget and \$22.8 million (5.2%) over fiscal year 2011-12 revenue. The budgeted amount for Business Taxes in fiscal year 2013-14 is \$489.8 million representing an increase of \$28.3 (6.1%) million over the fiscal year 2012-13 projection. Total business tax revenues include \$451.7 million and ~~\$480.8 million in payroll taxes projected and budgeted during fiscal years 2012-13 and 2013-14, respectively, and \$8.8 million projected in business license registration fees during fiscal year 2012-13 and \$9.0 million budgeted during fiscal year 2013-14.~~ The budget for fiscal year 2013-14 payroll tax includes \$5.6 million in additional one time revenue resulting from the America's Cup yachting event.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO

Business Tax Revenues

Fiscal Years 2008-09 through 2013-14

All Funds

(000s)

Fiscal Year	Revenue	Change	
2008-09	388,654	(7,371)	-1.9%
2009-10	354,020	(34,634)	-8.9%
2010-11	391,779	37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13 projected	460,512	22,835	5.2%
2013-14 budgeted	489,811	29,299	6.4%

Includes Payroll Tax and Business Registration Tax revenues, and portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, which was \$2.36 million in FY 2011-12. Figures for FY 2008-09 through FY 2011-12 are year end actuals. Figures for FY 2012-13 are Six-Month Report projections and FY 2013-14 are Original

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

In April 2011, the Board of Supervisors adopted Ordinance 68-11 that established a payroll expense tax exclusion for certain business located in the Central Market and Tenderloin Area. The Ordinance expires according to its terms in 2019. The Controller projects the loss to the City in payroll expense tax revenue due to Ordinance 68-11 to be approximately \$4.2 million annually. Additionally, fiscal year 2011-12 payroll tax amounts include a \$3.5 million General Fund loss from a requirement pursuant to Business and Tax Regulations Code Section 906E, that \$500 credits be provided to Payroll Tax payers if prior year Payroll Tax revenues grew more than 7.5% from the year before. Fiscal year 2011-12 payroll tax revenues ended the year 11.4% higher than fiscal year 2010-11.

The Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E) was approved by San Francisco voters on November 6, 2012. The ordinance replaces the existing tax which is 1.5% of a business' payroll with a tax on a business' gross receipts at rates that vary by the size and type of business. The new tax structure will be phased-in over a five year period and at the end of the period the gross receipts tax rates will remain fixed. The new tax structure will generate annual tax revenues equal to what would have been generated under the existing tax structure plus the amount of the additional administrative cost of the new system. In addition, the existing business registration fee structure will be replaced by a new higher graduated registration fee structure projected generate a net revenue increase to the City of approximately \$28.5 million beginning in fiscal year 2013-14. The gross receipts tax will apply to businesses with \$1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. The ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

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 monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (ADR) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, reached a historic high of \$183 through December of fiscal year 2012-13 (year-to-date). Increases in RevPAR are expected to continue albeit at a slower pace through fiscal year 2013-14. Total hotel tax revenue for fiscal year 2012-13 is projected to be \$257.9 million in the Six Month Report and budgeted to be \$275.6 million in fiscal year 2013-14.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that there was no obligation on the part of online travel companies to remit hotel tax to the City. San Francisco is now the fourth City in California to receive a judgment overturning administrative hearings it conducted to require payment from online travel companies. San Francisco has received approximately \$63 million in disputed hotel taxes paid by the companies. The portion of these remittances that will be retained or returned, as well as related legal fees and 7% annual interest on any amounts refunded, will depend on developments with these lawsuits.

Because the allocation of hotel tax revenues is set by the Mayor and Board of Supervisors as described in the Administrative Provisions of the Annual Appropriation Ordinance, all of the gain or loss in revenue from budgeted levels falls to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of transient occupancy tax receipts for fiscal years 2008-09 through 2013-14.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Receipts
Fiscal Years 2008-09 through 2013-14
All Funds

Fiscal Year	Tax Rate	Revenue (000s)	Change	
2008-09	14.00%	219,777	(5,037)	-2.2%
2009-10	14.00%	192,082	(27,695)	-12.6%
2010-11	14.00%	215,512	23,430	12.2%
2011-12	14.00%	242,843	27,331	12.7%
2012-13 projected	14.00%	257,899	15,056	6.2%
2013-14 budgeted	14.00%	275,557	17,658	6.8%

Figures are all funds. Figures for FY 2008-09 through FY 2011-12 are CAFR actuals plus the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are \$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.

Real property transfer tax revenue in fiscal year 2012-13 is projected to be \$224.7 million in the Six Month report, approximately \$8.9 million (3.8%) less than the revenue received in fiscal year 2012-13 due to an expected flattening of real property sales from the fiscal year 2011-12 peak. Fiscal year 2013-14 budget for real property transfer tax revenues is \$183.1 million, reflecting continued slowing market activity.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2008-09 through 2011-12, projected receipts for fiscal year 2012-13, and budgeted receipts for fiscal year 2013-14.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2008-09 through 2013-14
(000s)

Fiscal Year	Revenue	Change	
2008-09	48,957	(37,262)	-43.2%
2009-10	83,694	34,737	71.0%
2010-11	135,184	51,489	61.5%
2011-12	233,591	98,407	72.8%
2012-13 projected	224,668	(8,923)	-3.8%
2013-14 budgeted	183,123	(41,545)	-18.5%

Figures for FY 2007-08 through FY 2011-12 are audited actuals. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Sales and Use Tax

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 rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2012-13 are projected to be at \$121.9 million in the Six Month report, a minimal increase of \$0.2 million from Original Budget and a \$4.8 (4.1%) million increase from fiscal year 2011-12 revenue. The Original Budget projects continued revenue growth during fiscal year 2013-14 at \$130.0 million, representing a \$8.1 (6.7%) million increase over projected receipts in fiscal year 2012-13. The fiscal year 2013-14 budget includes \$2.2 million in additional one-time revenue from the America's Cup yacht racing event.

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. Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2008-09 through 2011-12, projected receipts for fiscal year 2012-13, and budgeted receipts for fiscal year 2013-14, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Receipts
Fiscal Years 2008-09 through 2013-14
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2008-09	9.50%	0.75%	101,662	(9,749)	-8.8%
2008-09 adj.*	9.50%	1.00%	137,415	(11,314)	-7.6%
2009-10	9.50%	0.75%	96,605	(5,057)	-5.0%
2009-10 adj.*	9.50%	1.00%	128,286	(9,129)	-6.6%
2010-11 **	9.50%	0.75%	106,302	9,698	10.0%
2010-11 adj.*	9.50%	1.00%	140,924	12,639	9.9%
2011-12	8.50%	0.75%	117,071	10,769	10.1%
2011-12 adj.*	8.50%	1.00%	155,466	14,542	10.3%
2012-13 <i>projected</i>	8.50%	0.75%	121,914	4,843	4.1%
2012-13 adj.* <i>projected</i>	8.50%	1.00%	161,244	5,778	3.7%
2013-14 <i>budgeted</i>	8.50%	0.75%	130,023	8,109	6.7%
2013-14 adj.* <i>budgeted</i>	8.50%	1.00%	170,453	9,209	5.7%

*Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

**In November, 2012, voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

Figures for FY 2007-08 through FY 2011-12 are audited actuals. Figures for FY 2012-13 are from the Six Month Budget Update published February 12, 2013 and FY 2013-14 amounts are Original Budget.

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

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol (VOIP). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2012-13 Utility User Tax revenues are projected at \$93.7 million in the Six Month report, representing a \$1.8 (2.0%) million increase from Original Budget and \$2.0 million (2.2%) above prior year actual revenues. Utility User Tax revenue is budgeted to remain flat in fiscal year 2013-14 at \$93.7 million.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. The tax does not apply to wireless telephone communications services. Access Line Tax revenues are projected in the Six Month report to be \$40.3 million, \$2.7 (6.2%) million less than Original Budget and \$0.7 (1.7%) million less than fiscal year 2011-12 revenue. ALT revenues are budgeted at \$44.3 million in fiscal year 2013-14 an increase of \$4.0 (9.0%) million from the fiscal year 2012-13 Six Month report projection. The budget assumed the bottoming out of revenue in fiscal year 2011-12 from declines in the previous two years would stabilize.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities.

Fiscal year 2012-13 Parking Tax is projected at \$80.0 million in the Six Month report, \$3.5 (4.6%) million more than original budget and \$3.4 (4.4%) million above fiscal year 2011-12. The recovery in business activity and employment as reflected in increases to payroll and sales tax revenues is driving increases in parking tax revenues.

Original Budget for fiscal year 2013-14 parking tax revenue is \$78.8 million, a \$2.3 million increase (3.0%) from fiscal year 2012-13 Original Budget and \$1.2 million (1.5%) reduced from the fiscal year 2012-13 projection. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

1991 Health and Welfare Realignment

In fiscal year 1991-92, the State transferred to counties the responsibility for determining service levels and administering most mental health, public health and some social service programs, thereby reducing the State's obligations. The State also increased its share of certain welfare costs formerly borne by counties. In order to meet these obligations, counties share in the proceeds of a 0.5% statewide sales tax and a portion of vehicle license fees ("VLF"). In fiscal year 2012-13 these sources are projected to provide \$164.9 million to the General Fund which constitutes an increase of \$24.9 (17.8%) million from fiscal year 2011-12 and a \$14 (8.5%) million increase from fiscal year 2012-13 Original Budget. These increases are a result of the combined effect of a large one-time back payment of statewide sales tax revenue for several years of social services caseload growth, and funding shifts related to state realignment completed in fiscal year 2011-12. Original Budget fiscal year 2013-14 Original Budget for these sources is \$155.2 million, a decrease of \$8.7 (5.3%) million reflecting the loss of the one-time state sales tax back payment mitigated by continued improvement in state sales tax revenue. VLF collections are expected to remain flat during fiscal years 2012-13 and 2013-14.

Public Safety Sales Tax

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. Revenue from this source for fiscal year 2012-13 was projected to be \$81.2 million in the Six Month report an increase of \$6.2 million (6.0%) from fiscal year 2011-12 and \$2.2 (2.8%) million more than fiscal year 2012-13 Original Budget. In fiscal year 2013-14 revenue from this subvention is budgeted at \$81.7 million reflecting a modest \$0.5 million (0.6%) increase from fiscal year 2012-13 projections.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, \$548.7 million was projected in the Six Month report from grants and subventions from State and federal governments to fund public health, social services, and other programs in the General Fund. This represents a \$13.6 million (2.5%) increase from fiscal year 2011-12 and a \$ 0.6 million (0.1%) reduction from fiscal year 2012-13 Original Budget. The Original Budget in the General Fund for fiscal year 2013-14 is \$569.5 million which is a \$20.8 million (3.8%) increase from the fiscal year 2012-13 projection. A large portion of the budgeted increase in fiscal year 2013-14 is the removal of a \$15.0 million allowance for unspecified funding reductions in fiscal year 2012-13.

Charges for Services

Charges for services in the General Fund in fiscal year 2012-13 are projected to be \$151.7 million in the Six Month report and budgeted at \$159.7 million for fiscal year 2013-14, representing growth of \$16.9 million (12.5%) and \$8.0 million (5.3%) respectively from prior year.

Fiscal year 2012-13 growth reflects Fire Department ambulance billing recoveries increases over fiscal year 2011-12 due to AB 678 - Medi-Cal: Ground Emergency Medical Transport, passed by the State legislature in 2011.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide 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 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 upwards of 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding in fiscal year 2012-13 is \$661.6 million in fiscal year 2012-13 and \$697.7 million in fiscal year 2013-14. The Six Month report projected that improved general revenues result in these baseline and mandated funding transfers to be increased by \$8.9 million compared to budget in fiscal year 2012-13.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO						
Expenditures by Major Service Area						
Fiscal Years 2008-09 through 2013-14						
(000s)						
Major Service Areas	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Original Budget					
Public Protection	\$899,378	\$955,519	\$947,327	\$998,237	\$1,058,689	\$1,087,646
Human Welfare & Neighborhood Development	654,162	642,810	655,026	672,834	670,375	679,154
Community Health	513,858	488,330	519,319	575,446	609,892	620,199
General Administration & Finance	182,139	177,892	169,526	199,011	197,994	207,196
Culture and Recreation	104,232	95,114	97,510	100,740	111,066	113,787
General City Responsibilities	78,524	104,476	103,128	110,725	145,560	144,666
Public Works, Transportation & Commerce	53,143	33,414	26,989	51,588	67,529	64,921
Total	\$2,485,436	\$2,497,555	\$2,518,824	\$2,708,581	\$2,861,106	\$2,917,569

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. These departments are budgeted to receive \$373.3 million, \$212.0 million and \$137.1 million of General Fund support respectively in fiscal year 2012-13 and \$390.3 million, \$215.8 million, and \$140.0 million respectively in fiscal year 2013-14. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive \$231.0 million of General Fund support in the fiscal year 2012-13 and \$236.1 million in fiscal year 2013-14.

The Public Health Department is budgeted to receive \$446.6 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2012-13 and \$511.7 million in fiscal year 2013-14. As of the Fiscal Year 2012-13 Six Month report, the Department of Public Health projected ending the fiscal year with a net General Fund deficit of \$45.9 million. This deficit may be partially offset by year end if potential revenues from prior-year settlements and other reimbursements are received in the current year. Overall revenues are projected to be \$22.7 million less than budgeted and expenditures are projected to be \$23.1 million higher than budgeted.

For budgetary purposes, enterprise funds 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 Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it is budgeted pursuant to a formula under the Charter to receive a \$213.3 million General Fund transfer in the fiscal year 2012-13 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO				
Baselines & Set-Asides				
Fiscal Years 2012-13 & 2013-14				
(Millions)				
	FY 2012-13	FY 2012-13	FY 2013-14	FY 2013-14
	Required	Original	Required	Original
Baselines & Set-Asides	Baseline	Budget	Baseline	Budget
Municipal Transportation Authority	\$154.86	\$154.86	\$160.63	\$160.63
Parking and Traffic Commission	58.07	58.07	60.23	60.23
Children's Services	115.21	127.21	119.49	126.76
Library Preservation	52.95	52.95	54.92	54.92
Public Education Enrichment Funding				
Unified School District	32.66	32.66	33.92	33.92
First Five Commission	17.70	17.70	18.38	18.38
City Services Auditor	12.36	12.36	12.45	12.45
Human Services Homeless Care Fund	13.71	13.71	13.71	13.71
Property Tax Related Set-Asides				
Municipal Symphony	2.03	2.03	2.12	2.12
Children's Fund Set-Aside	44.72	44.72	46.03	46.03
Library Preservation Set-Aside	37.27	37.27	38.36	38.36
Open Space Set-Aside	37.27	37.27	38.36	38.36
Staffing and Service-Driven				
Police Minimum Staffing	Requirement potentially not met during course of budget year		Requirement potentially not met during course of budget year	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement not met		Requirement not met	
Total Baseline Spending	\$585.51	\$597.51	\$605.55	\$612.82

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

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances, and four Rescue Captains (medical supervisors).

Reserves

The City's fiscal year 2012-13 budget includes reserves that are available for appropriation to City departments by action of the Board of Supervisors, including the General Reserve (\$32.2 million), the Salaries and Benefit Reserve (\$13.1 million), and the Litigation Reserve (\$11.0 million) Original Budget. These are the fiscal year 2012-13 appropriations to the reserves and do not include carry-forward of prior year balances.

The Charter requires some set-asides of departmental expenditure savings in the form of a Citywide Budget Savings Incentive Reserve and a Recreation and Park Budget Savings Incentive Reserve.

See "Budgetary Reserves and Economic Stabilization and Limitations on Use of Selected Nonrecurring Revenues."

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling \$3.5 billion in the fiscal year 2011-12 Original Budget (all-funds), and \$3.8 billion and \$4.0 billion in the fiscal year 2012-13 and fiscal year 2013-14 budgets. Looking only at the General Fund, the combined salary and benefits budget was \$1.7 billion in the fiscal year 2011-12 Original Budget and \$1.8 billion per year in the fiscal year 2012-13 and fiscal year 2013-14 budgets. 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 SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2012-2013 and 2013-2014 includes 31,407 and 32,659 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union ("SEIU"), Local 1021; the International Federation of Professional and Technical Engineers (the "IFPTE"), Local 21; and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (California Government Code Sections 3500-3511, the "Meyers-Milias-Brown Act") and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. In addition, in November 2010, the voters in the City approved Proposition G, which requires that disputes regarding the wages, hours and working conditions of transit operators be resolved through a final and binding interest arbitration proceeding. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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

In May 2012, the City negotiated two-year agreements (for fiscal years 2012-13 and 2013-14) with most of its labor unions.¹ In general, the parties agreed to: 1) reforms and/or elimination of certain pay premiums; and 2) some structural reforms of the City's healthcare benefit and cost-sharing structures by having employees contribute more toward the cost of enrolling in "employee only" health benefits during the term of the 2 year contract. SEIU "miscellaneous" employees and staff nurses agreed to healthcare benefit reforms that will take place beyond the term of the July 1, 2012 through June 30, 2014 contract.

City employees, who are in non-Police, Fire and Nurse classifications will receive a base wage increase for the first time since 2008, as follows: 1% on July 1, 2013; 1% on January 4, 2014 and 1% on March 29, 2014. The two SEIU-represented units' wage increases differ, as follows: SEIU "miscellaneous" employees will receive 2% on January 4, 2014 and 1% on March 29, 2014 and the SEIU Staff Nurses will receive 3% on March 29, 2014.

On February 1, 2012, the City became the successor agency to the dissolved SFRDA (the "Successor SFRDA"). As a successor agency, the City acquired approximately 100 former SFRDA employees, who are covered by various Memoranda of Agreement. On March 29th, 2012, the Successor Agency and the unions representing former SFRDA employees signed a Letter of Agreement facilitating continuing staffing arrangements for active projects. Approximately half of the former SFRDA employees were retained and transferred to the Successor Agency. Negotiations for successor agreements on remaining terms are continuing. The existing contracts remain in place until an agreement has been reached. See "City Budget – San Francisco Redevelopment Agency Dissolution" above.

Pursuant to Charter Section 8A:104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year successor agreement that expires on June 30, 2014. The concessions are valued at \$41.1 million dollars over the life of the agreement. Table A-14 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

¹ The City's labor contracts with the Police Officers' Association, Firefighters' union and their related management classes, represented by the Municipal Executives' Association, will not expire until June 30, 2015. The City negotiated a three-year agreement with the Supervising Nurses (July 1, 2012 through June 30, 2015).

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2012

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	400	June 30, 2014
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2014
Building Inspectors Association	77	June 30, 2014
Carpenters, Local 22	110	June 30, 2014
Carpet, Linoleum & Soft Tile	2	June 30, 2014
CIR (Interns & Residents)	230	June 30, 2014
Cement Masons, Local 580	33	June 30, 2014
Deputy Sheriffs Association	865	June 30, 2014
District Attorney Investigators Association	39	June 30, 2014
Electrical Workers, Local 6	817	June 30, 2014
Glaziers, Local 718	10	June 30, 2014
International Alliance of Theatrical Stage Employees, Local 16	18	June 30, 2014
Ironworkers, Local 377	15	June 30, 2014
Laborers International Union, Local 261	1007	June 30, 2014
Municipal Attorneys' Association	432	June 30, 2014
Municipal Executives Association	1068	June 30, 2014
MEA - Police Management	2	June 30, 2015
MEA - Fire Management	9	June 30, 2015
Operating Engineers, Local 3	57	June 30, 2014
Painters	121	June 30, 2014
Pile Drivers, Local 34	18	June 30, 2014
Plumbers, Local 38	340	June 30, 2014
Probation Officers Association	159	June 30, 2014
Professional & Technical Engineers, Local 21	4733	June 30, 2014
Roofers, Local 40	11	June 30, 2014
S.F. Institutional Police Officers Association	2	June 30, 2014
S.F. Firefighters, Local 798	1729	June 30, 2015
S.F. Police Officers Association	2421	June 30, 2015
SEIU, Local 1021	10992	June 30, 2014
SEIU, Local 1021 Staff & Per Diem Nurses	1514	June 30, 2014
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2013
Sheet Metal Workers, Local 104	47	June 30, 2014
Stationary Engineers, Local 39	662	June 30, 2014
Supervising Probation Officers, Operating Engineers, Local 3	23	June 30, 2014
Teamsters, Local 853	158	June 30, 2014
Teamsters, Local 856 (Multi-Unit)	103	June 30, 2014
Teamsters, Local 856 (Supervising Nurses)	119	June 30, 2015
TWU, Local 200 (SEAM multi-unit & claims)	316	June 30, 2014
TWU, Local 250-A Auto Service Workers	193	June 30, 2014
TWU-250-A Miscellaneous	94	June 30, 2014
TWU-250-A Transit Operators	2103	June 30, 2014
Union of American Physicians & Dentists	190	June 30, 2015
Unrepresented Employees	138	June 30, 2013
Total	<u>31,407</u> ¹	

¹ Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

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

San Francisco Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan (the "Retirement System") that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval by City voters on November 2, 1920 and the California 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. [City Charter Section 12.100]

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. [City Charter Section 12.100] The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. [City Charter Section 12.100] The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuarial firm retained by the Retirement Board to prepare an annual valuation report and other analyses as described below. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In March 2012, IRS issued a favorable Determination Letter for SFERS. 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 new provisions of Proposition C approved by the City voters in November 2011.

Membership

The Retirement System estimates that the total active membership as of July 1, 2012 (the date of most recent valuation report) was 33,655, compared to 33,475 members a year earlier. Active membership includes 4,543 vested members and 1,015 reciprocal members. Vested members are individuals who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. 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. The total new enrollees in the Retirement System were 2,228 in fiscal year 2011-12 and 2,055 in fiscal year 2010-11. Retirement allowances are paid to approximately 25,000 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program (DROP) program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of June 30, 2012, approximately 184 police officers are enrolled in the program and all will retire over the next two fiscal years.

Table A-16 shows total Retirement System participation for fiscal years 2007-08 through 2011-12.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
Fiscal Years 2007 - 08 through 2011 - 12

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2008	30,650	3,877	869	35,396	21,514	1.425
2009	29,919	4,096	890	34,905	22,294	1.342
2010	28,222	4,515	978	33,715	23,500	1.201
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115

Sources: SFERS' Actuarial Valuation reports as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. The City Charter proscribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. [City Charter Sections 12.100 and A8.510] Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions: a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption.

At its December 2011 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board voted to phase in reductions to the Retirement System's long-term investment earnings assumption, long-term wage/inflation assumption and long-term consumer price index assumption over a three-year period as follows: long-term investment earnings assumption from 7.75% to 7.50% (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; fiscal year 2013-14 to 7.50%); long-term wage inflation assumption from 4.00% to 3.75% (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%); and long-term consumer price index assumption from 3.50% to 3.25% (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%). These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of the Retirement System each year. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as determined by the consulting actuarial firm and approved by the Retirement Board. [City Charter Section A8:510]

The consulting actuarial firm and the Retirement Board set the actuarially required employer contribution rate using three related calculations:

First, the normal cost is established for the Retirement System. The normal cost of the Retirement System represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Retirement System uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the average future life of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Retirement System liabilities exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and

calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Retirement System assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. As for calculating the pension benefit liability, certain assumptions must be made about future costs of pension benefits to generate an overall liability amount. If the Retirement System's results are better or worse than the estimated UAAL, the result is called an actuarial gain or loss, respectively, and under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to changes in the aforementioned assumptions, the effect of such changes is also amortized over a 15-year period.

Third, after calculating the normal cost and the adjustment for UAAL, the consulting actuarial firm amortizes supplemental costs associated with the various SFERS benefit plans. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to extend additional benefits to some or all beneficiaries of the Retirement System, the Retirement System's payment liability is increased by the amount of the new benefit earned in connection with the service time already accrued by the then-current beneficiaries. These supplemental costs for each beneficiary are amortized over no more than 20 years.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. [e.g. City Charter Section A8.587-8(a)] 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. The employer contribution rate is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System. The most recent voter-approved retirement changes are described below.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds 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.

Recent 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. Recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees. For example, in November 2011, the voters of San Francisco approved Proposition C, which

- a) created 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%;
- b) provided that employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
- c) effective July 1, 2012, provides for an increase or decrease of employee contributions to SFERS for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. (For example, Miscellaneous employees who earn less than \$50,000 per year would pay the minimum Charter-mandated employee contribution rate; Miscellaneous employees who earn between \$50,000 and \$100,000 per year would pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate; and Miscellaneous employees who earn \$100,000 or more per year would pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are required from Safety employees also); and

- d) provides that, 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.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report.

Since 2008, the voters of San Francisco have approved three other retirement plan amendments:

- Proposition D enacted in June 2010, which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010, which changed average final compensation used in the benefit formula from highest one-year average compensation to highest two-year average compensation, increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.
- The enactment of DROP, a Deferred Retirement Option Program available to certain police members effective July 1, 2008, authorized by City voters' approval on an initiative proposition in the February 2008 election. In June 2011, the Board of Supervisors voted to allow the program to sunset on June 30, 2011
- Proposition B enacted in June 2008 which increased the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, established a separate Retiree Health Care Trust Fund to fund retiree health costs, and increased retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409).

SFERS Recent Funding Performance and City Employer Contribution History

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Retirement System was zero as determined by the consulting actuarial firm of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period was due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuarial firm in the manner described above in "Funding Practices." In fiscal year 2011-12, total City employer contributions to the Retirement System were \$288 million, which was 18.09% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes \$129 million from the City General Fund. For the fiscal year 2012-13 total City employer contributions to the Retirement System are budgeted at \$375 million, which is 20.71% of Pensionable Salary. This amount includes \$185 million from the General Fund. The latest actuarial report as of July 1, 2012 provides that future employer contribution rates are projected to increase to 28% for fiscal year 2014-2015 as the Retirement System recognizes the 2011 economic assumption changes and the losses incurred by the Retirement System in fiscal years 2007-2008 and 2008-2009.

Table A-17 shows Retirement System contributions for fiscal years 2007-08 through 2011-12. "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 value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligations. The "Actuarial Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2006-07 through 2011-12.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Employee Retirement System (in \$000s)
Fiscal Years 2007-08 through 2011-12

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Percent Funded	Employee & Employer Contribution	Employer Contribution Rates ^[1]
2007	16,952,044	14,929,287	13,541,388	110.0	308,348	6.24%
2008	15,832,521	15,941,390	15,358,824	103.8	319,183	5.91%
2009	11,886,729	16,004,730	16,498,649	97.0	312,715	4.99%
2010	13,136,786	16,069,100	17,643,400	91.1	413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	87.7	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	82.6	608,957	18.09%

^[1] Employer contribution rates for fiscal years 2012-2013 and 2013-2014 are 20.71% and 24.82% respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2012, 2011, 2010, 2009, and 2008. SFERS' Actuarial Valuation report as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Table A-17 reflects that the Percent Funded ratio (that is, the Actuarial Value of Assets divided by the Pension Benefit Obligation) decreased to 82.6%, corresponding to an unfunded actuarial liability (UAAL) of approximately \$3.4 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as of June 30, 2012, for every dollar of pension benefits the City is obligated to pay, it had approximately \$0.83 in assets available for payment.

Asset Management and Actuarial Valuation

The assets of 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. See page 68 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2012. The Fund does not hold hedge funds. 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, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. The information available on the Retirement System's website is not incorporated herein by reference.

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

As of February 28, 2013, the Retirement System estimated that the market value of its assets was approximately \$16.7 billion. The estimated market value represents, 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 more or less. 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 not subject to audit (other than at year end).

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. Such payment from the General Fund equaled \$18.1 million in fiscal year 2009-10 and \$17.6 million in fiscal year 2010-11. For fiscal year 2011-12, the City prepaid its annual CalPERS obligation at a level of \$23.4 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2012, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45.*"

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical 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 City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries. With the transition of the SFRDA employees to the City budget, the benefits for these employees continue to be provided by CalPERS.

The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and until May 15, 2013, four members of the Health Service System, active or retired, elected from among their members. After May 15, 2013 one of the members elected from among the members will be replaced by a member nominated by the Controller and approved by the Health Service Board (See Proposition C below). The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

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

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

Determination of Employer and Employee Contributions for Medical Benefits

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, the Health Service System conducts a survey annually of the 10 most populous counties in California (other than the City) to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

- Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.
- In addition to the average contribution described in the second paragraph of this subsection, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.
- After application of the calculations described above, the City contributes 50% of monthly contributions required for the retired city participant and the first dependent.

The Health Service System has changed to a calendar plan year effective January 1, 2013. This change permitted HSS to adopt a new pharmacy fully insured benefit plan for retirees in the City Plan (Employer Group Waiver Plan) which saved over \$5.8M and reduced the GASB pharmacy liability. In addition, HSS moved active Blue Shield members from a "fully insured product" to a "flex funded product" in which the City assumes risk up to a set point saving over \$26M. Overall the actions taken during rate setting reduced HSS costs by over \$30M and resulted in a premium rate increase of less than 1.4%.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the

"Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law to be implemented in future years include, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. On June 28, 2012 the U.S. Supreme Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements.

Provisions of Health Care Reform already implemented by HSS include, discontinued eligibility for non-prescription drugs reimbursement through FSAs in 2011, eliminated copayments for wellness visits, eliminated lifetime caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012 and W-2 reporting on total healthcare premium costs for 2012 plan year and implementation of a medical loss ratio rebate on self-insured plans. In addition, a separate summary of benefits was required to be sent to every member and provided to every new member beginning in 2012. In 2013, healthcare flexible spending accounts (FSAs) will be limited to \$2500 annually and for the 2013 plan year a comparative effectiveness fee will be charged directly to HSS of \$1 per beneficiary for members of the Self-Insured plan (approximately 9,350); in 2014 and 2015 this amount will increase to \$2/year .

On August 31, 2012 the US DHHS issued regulatory guidance on the "Federal Transitional Pre-Existing Condition Fee" assessing a \$63/year fee on each HSS beneficiary for plan years 2014-2016. This "fee" will be over \$6.6 million dollars per year. In 2014, the City will need to modify health benefit eligibility to cover temporary employees who work more than 30 hours per week or 130 hours per month to only a 90 day waiting period for coverage.

Local Elections: Proposition C (2011)

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that will change the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board (HSB) including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; 4) allow for the option to change to a calendar year plan year; and 5) allow HSB to spend money on ways to limit health care costs. Factors that could cause additional medical costs or savings include: 1) Projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions. 2) To the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies. 3) To the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. 4) To the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. Changing to a calendar plan year allows HSS to convert our City Plan retiree pharmacy benefit to a higher discounted federal program called Employer Group Waiver Plan (EGWP) as of 2013. This will save an estimated \$2.3 million annually, will lower the City's retiree pharmacy expenditures by \$8.5 million annually, and will lower the City's GASB 45 liability.

Employer Contributions for Health Service System Benefits

For fiscal year 2011-12, the Health Service System received approximately \$612.7 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately \$511.3 million; approximately \$151.1 million of this \$511.3 million amount was for health care benefits for approximately 26,086 retired City employees and their eligible dependents and approximately \$360.2 million was for benefits for approximately 60,644 active City employees and their eligible dependents. For fiscal year 2012-13, the Health Service System has budgeted to receive approximately \$642.9 million from participating employers for Health Service System benefit costs. The 2013 aggregate plan costs for the city will increase by only 1.4%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS, encouraging competition among our vendors, and changing our Blue Shield plan from a fully-funded to a flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, 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 HSB also subsidized dependent coverage in the Blue Shield plan to stabilize the risk pools and minimize migration between Blue Shield and Kaiser which contributed to the lower 2013 increase. In 2014 this flattened trend is anticipated to continue, the Health Service Board has allocated the Early Retiree Reimbursement Program funds collected of \$3.6M to subsidize dependent coverage based on percent paid by employee/retiree which will continue to stabilize risk pools. The Health Service Board is currently setting rates for 2014.

Post-Employment Health Care Benefits and GASB 45

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

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

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its October 8, 2012 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately \$4.42 billion as of July 1, 2010. This estimate assumed a 4.25% return on investments and had an ARC for fiscal year 2011-12 of approximately \$397.9 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was \$2.3 billion and the ratio of the unfunded actuarial accrued liability to the covered payroll was 191.9%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2011-12 annual OPEB cost was \$405.9 million, of which the City funded \$156.1 million which caused, among other factors, the City's long-term liability to increase by \$249.7 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost is recorded as an increase or decrease in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2012, included as Appendix B to this Official Statement. Trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Four-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$430,924	27.8%	\$605,397
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177
6/30/2012	405,850	38.5%	1,348,883

The October 2012 Cheiron Report estimates that the total long-term actuarial liability will reach \$5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2012, the fund balance in the Retiree Health Care Trust Fund established by Proposition B stood at \$17.9 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City continued to budget only for current-year benefits expenditures, without any set-aside for accrued or future liabilities, in the fiscal year 2011-12 Original Budget. To begin to address the issue of accrued liabilities for future retiree health costs, the City created a new Post Employment Benefits Fund in fiscal year 2007-08. The actual fund balance as of January 9, 2013 is approximately \$23.9 million. The costs were funded in part by employees and in part by the City. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2008-09 to fiscal year 2013-14.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2008-09 through 2013-14
(000s)

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	actual	actual	actual	actual	Budget	Budget
SFERS and PERS Retirement Contributions	\$197,614	\$294,088	\$368,185	\$428,265	\$435,675	\$517,478
Social Security & Medicare	147,576	145,969	140,828	147,682	153,071	155,975
Health - Medical + Dental, active employees ¹	274,753	284,426	296,032	330,919	356,797	377,760
Health - Retiree Medical ¹	144,110	154,347	175,799	181,822	173,306	189,370
Other Benefits ²	18,998	17,009	22,758	21,362	19,707	16,596
Total Benefit Costs	\$783,051	\$895,839	\$1,003,602	\$1,110,050	\$1,138,555	\$1,257,180

FY 2008-09 through FY 2011-12 figures are audited actuals. FY 2012-13 is original budget and FY 2013-14 is the Mayor's proposed budget.

¹ Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance

² "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits

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

INVESTMENTS OF CITY FUNDS

Investment Pool

The Treasurer of the City and County of San Francisco (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. See "APPENDIX G – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2012. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of December 31, 2012, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of December 31, 2012

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasuries	\$ 1,010,000,000	\$ 1,013,676,471	\$ 1,025,614,350
Federal Agencies	3,815,683,000	3,827,093,302	3,865,155,224
State and Local Obligations	88,530,000	91,177,638	90,335,934
Public Time Deposits	960,000	960,000	960,000
Negotiable Certificates of Deposit	275,000,000	275,000,000	274,806,935
Banker's Acceptances	-	-	-
Commercial Paper	80,000,000	79,704,250	79,925,708
Medium Term Notes	51,358,000	53,241,757	52,310,804
Money Market Funds	250,000,000	250,000,000	250,000,000
Total	\$ 5,571,531,000	\$ 5,590,853,418	\$ 5,639,108,956

December 2012 Earned Income Yield: 0.87%

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

TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of December 31, 2012

<u>Maturity in Months</u>	<u>Par Value</u>	<u>Percentage</u>
0 to 1	\$ 485,000,000	8.70%
1 to 2	6,435,000	0.12%
2 to 3	100,000,000	1.79%
3 to 4	29,670,000	0.53%
4 to 5	87,648,000	1.57%
5 to 6	106,200,000	1.91%
6 to 12	421,685,000	7.57%
12 to 24	1,098,980,000	19.72%
24 to 36	1,089,953,000	19.56%
36 to 48	647,840,000	11.63%
48 to 60	1,498,120,000	26.89%
	\$ 5,571,531,000	100.00%

Weighted Average Maturity: 939 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2012 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2012," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

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

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2014-2023 Capital Plan was approved by the CPC on February 25, 2013 and is expected to be adopted by the Board of Supervisors in April 2013. The Capital Plan contains \$25.1 billion in capital investments over the coming decade for all City departments, including \$4.7 billion in projects for General Fund-supported departments. The Capital Plan proposes \$88.0 million for General Fund pay-as-you-go capital projects in fiscal year 2013-14. The amount for General Fund pay-as-you-go capital projects is assumed to grow to \$231 million in fiscal year 2022-23. The Capital Plan is not incorporated by reference herein but may be found at <http://onesanfrancisco.org/>.

Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately \$2.0 billion of the capital projects of General Fund supported departments are financed with general obligation bonds and other long-term obligations. 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 \$14.5 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, and the Sewer System Improvement Program, among others. Approximately \$8.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term

obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund, and other sources.

Failure to make the capital improvements and repairs recommended in the 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; and (v) increasing future repair and replacement costs.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of December 31, 2012, the City had approximately \$1.80 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of December 31, 2012^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2013	138,561,718	42,214,475	180,776,193
2014	121,869,486	77,786,504	199,655,990
2015	95,989,884	72,001,381	167,991,265
2016	100,453,046	67,478,194	167,931,240
2017	92,204,110	62,799,455	155,003,565
2018	92,743,225	58,375,732	151,118,957
2019	91,020,545	54,134,562	145,155,107
2020	88,241,232	49,837,975	138,079,207
2021	83,265,457	45,643,912	128,909,369
2022	89,013,401	41,897,074	130,910,475
2023	90,855,251	37,810,651	128,665,902
2024	91,541,206	33,451,650	124,992,856
2025	90,341,476	28,979,532	119,321,008
2026	83,771,279	24,570,002	108,341,281
2027	87,350,840	20,467,423	107,818,263
2028	90,454,035	16,320,434	106,774,469
2029	88,551,751	12,068,255	100,620,006
2030	82,635,095	7,895,429	90,530,524
2031	40,156,950	3,988,577	44,145,527
2032	41,435,000	2,401,475	43,836,475
2033	4,835,000	762,000	5,597,000
2034	5,075,000	520,250	5,595,250
2035	5,330,000	266,500	5,596,500
TOTAL ³	\$1,795,694,987	\$761,671,442	\$2,557,366,429

¹ This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

³ 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.

General Obligation Bonds Authorized but Unissued

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

In November 1992, voters approved Proposition A, which authorized the issuance of up to \$350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued \$35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007 the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed \$35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007 the City initiated an initial borrowing of \$2.0 million, and in October 2007, the City borrowed approximately \$3.8 million from the Credit Bank. In January 2008, the City borrowed approximately \$3.9 million and in November 2008, the City borrowed \$1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the \$35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to \$185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately \$42.5 million in August 2008. The City issued the second series in the amount of approximately \$60.4 million in March 2010 and the third series in the amount of approximately \$73.4 million in March 2012.

In November 2008, voters approved Proposition A, which authorized the issuance of up to \$887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately \$131.7 million in March 2009. The City issued the second series in the amount of approximately \$294.6 million in March 2010. The City issued its third series in the amount of approximately \$251 million in August 2012.

In June 2010, voters approved Proposition B, which authorized the issuance of up to \$412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement, and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of \$79.5 million in December 2010 and the second series of bonds in the amount of \$183.3 million in March 2012. The City issued its third series in the amount of approximately \$38.3 million in August 2012.

In November 2011, voters approved Proposition B, which authorized the issuance of up to \$248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately \$74.3 million in March 2012.

In November 2012, voters approved Proposition B, which authorized the issuance of up to \$195.0 million in general

obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City expects to issue the first series of bonds under Proposition B in June 2013.

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed \$800.0 million aggregate principal amount of its 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 then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed \$1,355,991,219 aggregate principal amount of the City's 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.

Table A-23 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, 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 December 31, 2012, the City had authorized and unissued general obligation bond authority of approximately \$983 million.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO				
General Obligation Bonds (as of December 31, 2012)				
Description of Issue (Date of Authorization)	Series	Issued	Outstanding ¹	Authorized & Unissued ²
Seismic Safety Loan Program (11/3/92)	2007A	\$30,315,450	\$27,399,987	\$284,684,550
Branch Library Facilities Improvement (11/7/00)	2008A	31,065,000	26,690,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	36,800,000	
	2010B	24,785,000	15,995,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	62,465,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	107,810,000	
	2010A	120,890,000	78,005,000	
	2010C	173,805,000	173,805,000	
	2012D	251,000,000	251,100,000	209,955,000
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	76,080,000	
	2012A	183,330,000	155,650,000	
	2012E	38,265,000	38,265,000	111,185,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	63,940,000	173,705,000
Clean & Safe Neighborhood Parks (11/6/12)				195,000,000
SUB TOTALS		\$1,290,440,450	\$1,149,649,987	\$983,224,550
General Obligation Refunding Bonds:				
Series 2006-R1 issued 10/31/06		90,690,000	62,165,000	
Series 2006-R2 issued 12/18/06		66,565,000	34,785,000	
Series 2008-R1 issued 5/29/08		232,075,000	70,875,000	
Series 2008-R2 issued 5/29/08		39,320,000	27,865,000	
Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
Series 2011-R1 issued 11/9/2011		339,475,000	332,225,000	
SUB TOTALS		886,255,000	646,045,000	
TOTALS		\$2,176,695,450	\$1,795,694,987	\$983,224,550

¹ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the personal assessment assessed value of all real and district indebtedness or any redevelopment agency indebtedness.

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 Authorized but Unissued."

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

Lease Payments and Other Long-Term 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 financing 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-24 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of December 31, 2012. Note that the annual payment obligations reflected in Table A-23 include the fully accreted value of any capital appreciation obligations that will accrue as of the final payment dates.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 31, 2012

Fiscal Year	Principal	Interest	Annual Payment Obligation
2013	26,640,000	24,035,516	50,675,516
2014	52,396,550	59,460,147	111,856,697
2015	56,745,751	52,859,075	109,604,826
2016	55,325,000	45,362,197	100,687,197
2017	51,850,000	43,070,852	94,920,852
2018	50,655,000	40,746,447	91,401,447
2019	48,720,000	38,542,640	87,262,640
2020	40,800,000	36,547,926	77,347,926
2021	41,770,000	34,725,672	76,495,672
2022	42,820,000	32,899,862	75,719,862
2023	44,675,000	31,012,370	75,687,370
2024	46,870,000	29,015,730	75,885,730
2025	46,450,000	26,882,584	73,332,584
2026	46,145,000	24,816,396	70,961,396
2027	48,310,000	22,643,511	70,953,511
2028	48,770,000	20,377,467	69,147,467
2029	51,000,000	18,058,628	69,058,628
2030	50,510,000	15,658,861	66,168,861
2031	41,785,000	13,372,303	55,157,303
2032	31,000,000	11,238,623	42,238,623
2033	30,010,000	9,703,868	39,713,868
2034	31,445,000	8,111,955	39,556,955
2035	18,870,000	6,676,999	25,546,999
2036	17,065,000	5,674,407	22,739,407
2037	15,030,000	4,752,794	19,782,794
2038	15,690,000	3,902,287	19,592,287
2039	16,375,000	3,014,711	19,389,711
2040	17,095,000	2,088,419	19,183,419
2041	17,845,000	1,121,651	18,966,651
2042	9,680,000	313,971	9,993,971
TOTAL ¹	\$1,112,342,301	\$666,687,869 ^{2 3}	\$1,779,030,170

¹ Totals reflect rounding to nearest dollar.

² 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 3.25%. These bonds are in variable rate mode.

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

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. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, such amount increasing by five percent each fiscal year. As of December 31, 2012, the total authorized amount for such financings was \$58.5 million. The total principal amount outstanding as of December 31, 2012 was \$29.7 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of Proposition B lease revenue bonds, respectively, leaving \$14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to \$100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the \$100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. The City has no current timetable for issuance of the Proposition D bonds.

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately \$27.0 million and \$42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per \$100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately \$34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be 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 financing to be issued when market conditions are favorable. Projects will be 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. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of \$50 million and by U.S. Bank, N.A. with a maximum principal amount of \$50 million. The letters of credit expires June 2013.

As of March 7, 2013, the outstanding principal amount of CP Notes is \$67.2 million. The weighted average interest rate for the CP Notes is approximately 0.17%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on December 16, 2008 and the Mayor approved on December 19, 2008, the issuance of not to exceed \$45.0 million of City and County of San Francisco Certificates of Participation (Moscone Center Improvement Project) to finance improvements to the Moscone Convention Center. The proceeds from the sale of the Certificates will be used to provide funding for various improvements to the City's convention facilities known as Moscone South, Moscone North, and Moscone West. The City anticipates issuing the certificates in May 2013.

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010, the issuance of not to exceed \$38,000,000 in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the Summer of 2013.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011, the issuance of not to exceed \$170,000,000 in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Summer of 2013.

The Board of Supervisors authorized on May 1, 2012 and the Mayor approved on May 8, 2012 the issuance of not to exceed \$45,000,000 in City and County of San Francisco certificates of participation to finance the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration, and/or replacement of certain capital improvements to properties of the Port Commission. The City anticipates issuing the certificates in the Winter of 2013.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013, the issuance of not to exceed \$507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in 2017.

Overlapping Debt

Table A-25 shows bonded debt and long-term obligations as of December 31, 2012 sold in the public capital markets 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-25

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2011-2012 Assessed Valuation (net of non-reimbursable & homeowner exemptions): \$158,649,887,998

DIRECT GENERAL OBLIGATION BOND DEBT **Outstanding**
 General City Purposes Carried on the Tax Roll 12/31/2012
 \$1,795,694,987 \$1,795,694,987
GROSS DIRECT DEBT **\$1,795,694,987**

DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS

San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)	28,895,000
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	35,870,000
San Francisco Finance Corporation, Equipment LRBs Series 2007A, 2008A, 2010A, 2011A, and 2012A	29,755,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	18,655,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	129,000,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	58,095,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	31,755,000
San Francisco Redevelopment Agency Moscone Convention Center 1992	4,347,301 ¹
San Francisco Refunding Certificates of Participation, Series 2004-R1 (San Francisco Courthouse Project)	21,950,000
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)	142,575,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	153,650,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	36,120,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	35,360,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A	127,735,000
San Francisco COPs, Refunding Series 2011AB (Moscone)	86,195,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	<u>42,835,000</u>

LONG-TERM OBLIGATIONS **\$1,112,342,301**

GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS **\$2,908,037,288**

OVERLAPPING DEBT & LONG-TERM OBLIGATIONS

Bayshore Hester Assessment District	\$680,000
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	96,108,333
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	107,002,750
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	358,270,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	42,930,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	931,966,209
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	220,405,000
Association of Bay Area Governments Obligations (Special Tax Bonds)	44,765,938
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011	<u>680,085,000</u>

TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS **\$2,482,213,230**

GROSS COMBINED TOTAL OBLIGATIONS **\$5,390,250,518** ²

Ratios to Assessed Valuation:

	<u>Actual Ratio</u>	<u>Charter Req.</u>
Gross Direct Debt (General Obligation Bonds)	1.13%	< 3.00% ³
Gross Direct Debt & Long-Term Obligations	1.83%	n/a
Gross Combined Total Obligations	3.40%	n/a

¹ The accreted value as of July 1, 2012 is \$31,250,842

² Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

³ 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 property within the City's boundaries that is subject to local property taxation.

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

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to \$295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued \$58.0 million of such authorization in October 2004, \$130.0 million in October 2005 and \$92.0 million in October 2006, leaving \$15.0 million authorized but unissued. In March 2012, the SFUSD issued \$116.1 million in refunding general obligation bonds that refunded \$137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed \$980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the \$980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or \$282.0 million. Of such authorization, BART issued \$100.0 million in May 2005 and \$400.0 million in July 2007, of which the allocable City portion is approximately \$29.0 million and \$116.0 million, respectively.

On November 8, 2005, voters approved the issuance of up to \$246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of \$90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional \$110.0 million of such authorization. SFCCD issued the remaining authorization of \$46.3 million in spring 2010.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed \$450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of \$100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of \$150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of \$185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed \$531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of \$115.0 million under the Proposition A of 2011 authorization in March 2012.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants, and others, as well as the financial health of such buyers, tenants, and others. Further, the recent legislation to end redevelopment agencies as part of the State's fiscal year 2011-12 budget may have an adverse impact on the projects described below and many other development projects in the City. See "San Francisco Redevelopment Agency Dissolution" above. Completion and success of each development will also likely depend on other factors unknown to the City.

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

The Hunters Point Shipyard, a former naval base is a master planned community of approximately 500 acres located on the southeastern waterfront of San Francisco. The first phase of development, which was conveyed from the Navy in 2005, is currently underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space. Nearly all of the horizontal construction for Phase 1 is complete and the developer is preparing to commence vertical development on the first four blocks of homes in 2012. In August 2010, the development of the balance of the Shipyard and Candlestick Point received its final approvals from the Board of Supervisors. This includes (i) approximately 10,500 residential housing units across the project site, approximately 32% of which will be offered at below-market rates in a mix of both rental and for-sale housing; (ii) the complete rebuilding of the Alice Griffith Public Housing Development, also known as Double Rock; (iii) approximately 2.5 million square feet of "green" office, research and development uses on the Shipyard; (iv) approximately 150,000 square feet of green office, research and development or other commercial space on Candlestick Point; (v) more than 300 acres of new and restored parks and open space, which includes neighborhood parks, new waterfront parks around the entire perimeter of the Shipyard, connecting to the region's Bay Trail, and a major renovation of the Candlestick Point State Recreation Area into a "Crissy Field" of the southeast, with restored habitat areas and public access to the water; (vi) approximately 635,000 square feet of regional and neighborhood retail on Candlestick Point; (vii) space for a 10,000-seat performance venue on Candlestick Point; and (viii) space for a new 69,000-seat, world-class football stadium for the San Francisco 49ers football team. The Project is estimated to create thousands of ongoing construction opportunities during the 20- to 30-year construction period, and 10,000 permanent jobs at full build-out. In August 2011, the U.S. Department of Housing and Urban Development (HUD) selected the Alice Griffith Public Housing Development and the surrounding Bayview neighborhood as a recipient of the \$30.5 million Choice Neighborhoods Implementation Grant. The Alice Griffith Plan was one of six finalists submitted by communities nationwide competing for HUD Choice Neighborhoods funding.

Treasure Island

Former Naval Station Treasure Island, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island, located in the San Francisco Bay, and connected to the City by the San Francisco-Oakland Bay Bridge. The development plans for Treasure Island include up to 8,000 new homes, up to 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400-slip marina; restaurants; retail and entertainment venues; and a brand-new, world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is clustered around a new ferry terminal and is designed to prioritize walking, biking and public transit. The development plans include cutting-edge green office building standards and best practices in low-impact development. In August 2010, then-Mayor Gavin Newsom, U.S. House of Representatives Speaker Nancy Pelosi, and U.S. Secretary of the Navy Ray Mabus signed the terms for the conveyance of former Naval Station Treasure Island from the Navy to the City, representing another major step towards realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. In April 2011, the Treasure Island Development Authority (TIDA) Board of Directors and the Planning Commission certified the project's Environmental Impact Report, as well as approved numerous project documents. In June 2011, the Board of Supervisors unanimously upheld the certification of the Environmental Impact Report, as well as approved numerous project documents, including a Disposition and Development Agreement, Development Agreement, Interagency Cooperation Agreement and Treasure Island Homeless Development Initiative (TIHDI) Agreement. Together, these agreements form the comprehensive vision for the future of the former military base and represent a significant milestone in moving the project closer towards implementation. The first phase of construction could begin in the summer of 2014 and would consist primarily of horizontal infrastructure improvements to enable subsequent phases of vertical construction. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Piers 30-32 and Seawall Lot (SWL) 330 – Warrior's Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a waterfront multipurpose recreation and entertainment venue and associated development on Piers 30-32 and SWL 330. Piers 30-32 are located directly south of the Bay Bridge. On the Piers 30-32 site, the Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts, and family

shows. A significant portion of the Piers 30-32 site will be public, open space. There will also be retail and a limited amount of parking.

On SWL 330, which sits across the Embarcadero from Piers 30-32, the Warriors propose a mixed-use development, which will include residential units and potentially a hotel use. The SWL site will also have ground floor retail and parking.

Economic Planning Systems (EPS) was commissioned to author a Fiscal Feasibility Report, which provides both the Economic and Financial benefits of the project for the City. The Fiscal Feasibility Report projects that the project could create \$80 million annually in economic activity and generate approximately 5,000 construction jobs and 2,800 permanent jobs within San Francisco. In addition, the Fiscal Feasibility projects that the project could generate approximately \$19 million annually in annual revenue to the City.

Transbay

The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open in August 2017. Demolition of existing structures on the site was completed in August 2011. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub, extend the Caltrain commuter rail line underground 1.3 miles into the Financial District, and redevelop the area surrounding the Transbay Transit Center with 4,500 new homes 1,200 to be "affordable" below-market homes, a 1.6 million square-foot tower, parks, and a retail main street. The Pelli Clarke Pelli Architects-designed Center will serve more than 100,000 people per day through nine transportation systems, including the proposed California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Center, "City Park," a 5.4-acre public park that will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The \$4.2 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others. The first phase of the program, which includes constructing the new transit center, is fully funded.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco (UCSF) research campus containing 2.65 million square feet of building space on 43 acres donated by Catellus and the City; UCSF's 289-bed women's, children's and cancer hospital; 4.4 million square feet of biotech, 'cleantech' and health care office space; 6,000 housing units, with 1,800 (30%) affordable to moderate-, low-, and very low-income households; 800,000 square feet of retail space; a 500-room hotel with up to 50,000 square feet of retail entertainment uses; 41 acres of public open space, including parks along Mission Creek and San Francisco Bay, plus eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station. Mission Bay is approximately 50% complete.

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

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet and will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of them made affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, with tenants that create unique local character; approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve Giants patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site. The Port, which controls Pier 70 and OEWD in its capacity as lead negotiator, is currently in negotiations with Forest City, a developer that has been selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. In the spring and summer of 2013, the parties are anticipated to seek Port Commission and Board of Supervisors endorsement of a non-binding term sheet that lays out an agreed-upon development concept and financial terms.

Current development plans for the Pier 70 Waterfront Site include: 8 acres of parks and open space; 2,250,000 square feet of office; 1,000 housing units, 20% of them made affordable to low-income households; and 270,000 square feet of small-scale production and arts space intended to establish the new district as destination with unique, artistic character. This built area includes three historic industrial buildings that will be as rehabilitated as part of the Waterfront Site development.

Outside of the Waterfront Site, other plans for Pier 70 call for the creation of Crane Cove Park, development of new buildings along Illinois Street, the sustained operation of the shipyard, and the preservation of additional historic buildings. Pier 70 qualifies for the National Register of Historic Places and is in the process of seeking Historic District status.

Cruise Terminal

On February 26, 2013 the Port of San Francisco cut the ribbon opening the \$67 million core and shell of the new James R. Herman cruise ship terminal at Pier 27 for use during the America's Cup races in the summer of 2013. The \$44 million second phase will commence after the America's Cup and will install maritime equipment, complete an operations area within a portion of Pier 29, and complete improvements to the ground transportation area and Northeast Wharf Plaza. When complete in late 2014, the \$111 million, approximately 88,000 square foot, two-level cruise terminal will replace the current outmoded and insufficient facility at Pier 35 and will include a 2.5 acre park along the Embarcadero ground transportation area capability and a strengthened connection between the Bay and the base of Telegraph Hill.

The proposed size of the terminal was defined as optimal to serve current and anticipated ship berthing requirements, and associated passenger flows. The Pier 27 cruise terminal was designed to optimally handle vessels carrying 2,600 passengers and will have the capacity to serve vessels carrying up to 4,000 passengers, totaling 40-80 cruise calls a year. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.

Bay Area Economics was commissioned to provide an economic impact study for the Pier 27 project. The study projects that the project could create approximately \$29.4 million annually in direct economic activity, \$42.2 million in total impacts, and generate approximately 408 jobs within San Francisco. In addition, the Bay Area Economics study projects that the project could generate approximately \$900,000 annually in direct tax revenues that accrue to the City's General Fund. Regionally, Bay Area Economics estimated \$43.4 million in direct impacts and \$66.9 million in total impacts, and approximately 470 jobs in the Bay Area.

America's Cup

On December 31, 2010, the City was selected to host two America's Cup World Series regattas in the summer of 2012 and the 34th America's Cup Challenger Selection Series and Match Finals in the summer of 2013. To accommodate the events, the Port has invested in a series of Waterfront improvements along the central and northeast waterfront, primarily on Piers 27-29 for the America's Cup Village and at Piers 30-32 for team bases. By the time of the Challenger Series and Match events, the City will have completed the Brannan Street Wharf project, the core and shell of the Pier 27 James R. Herman Cruise Terminal building and the Pier 43 Bay Link Trail and will have made significant investments in deferred maintenance needs at Piers 30-32, Pier 23 and several of the aprons and marginal wharves used for the Events. After the conclusion of the events, the City will complete the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza. A March 12, 2013 update from the Bay Area Council

Economic Institute projects that the America's Cup Events will generate \$900 million in direct San Francisco spending, creating 6,481 San Francisco jobs and producing \$13 million in tax receipts for the City and County of San Francisco.

Moscone Convention Center

The Moscone Center Expansion Project would add approximately 353,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly half of this additional space (140,000 square feet) would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area (approximately 43,000 ft²), new multi-purpose/meeting room area (approximately 84,000 square feet), and new and repurposed building support area (approximately 86,000 ft²). The project would also expand the existing above-grade Moscone North, South, and Esplanade buildings to enhance their public connection and presence on Howard Street and make the Moscone Center more pedestrian-oriented. The project also proposes two enclosed pedestrian bridges spanning across Howard Street connecting at level 2 of the Moscone North and South expansions while framing the main public arrival space between the two new buildings and providing enhanced off-street circulation for Moscone convention attendees.

In addition to adding new rentable square footage, the project architects seek to create an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes two new, enclosed pedestrian bridges connecting the upper levels of the new Moscone North and Moscone South as well as an upgrade to the existing pedestrian bridge across Howard Street. This would help to frame the main public arrival space between the two new buildings, provide enhanced circulation for Moscone convention attendees, and reduce on-street congestion all while maintaining full-time elevated public access across Howard Street from Yerba Buena Gardens to the cultural facilities.

The project would not affect Yerba Buena Gardens, the cultural facilities (ice rink, bowling alley, carousel, and outdoor play area), Sister Cities Garden, MLK Memorial and Fountain, Yerba Buena Center for the Arts Gallery & Forum building, Yerba Buena Center for the Arts Theater, the existing restaurants Samovar and B, the Esplanade Ballroom or Moscone West though it would impact the Compass and Children's Gardens.

Without expansion, independent consultants predict that Moscone will lose up to \$2 billion in future revenue as competitor markets build larger, more contiguous exhibition spaces with more flexible meeting and ballroom spaces. The project allows the City to recover approximately \$734 million of this future revenue through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The project includes extensive community outreach to surrounding neighbors, businesses and affected parties. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of \$507 million in Certificates of Participation on February 5, 2013. Project sponsors propose to initiate environmental review in early 2013 with the goal of starting construction in late 2014, continuing intermittently around existing convention reservations through 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits 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 consumer price index 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 A.

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 revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the next two 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 XIII 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. 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.

Statutory Limitations

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

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

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

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

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure would be insignificant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of

Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

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

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

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

Proposition 22

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

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

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII A and XIII C 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 C 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

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.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2012, attached as Appendix B to this Official Statement. 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 impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis 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 property risk management approach varies depending 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 levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, 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 with 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 City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

**EQUIPMENT LEASE SUPPLEMENT NO. 19
(SERIES 2013A BONDS)**

This Equipment Lease Supplement No. 19 (Series 2013A Bonds) (the "Supplement"), dated as of May 1, 2013, is entered into by and between the CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a non-profit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), and the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation duly organized and existing under its Charter and the Constitution of the State of California (the "City"), and is supplemental to the Equipment Lease, dated as of January 1, 1991 (the "Equipment Lease"), by and between the Corporation and the City, as amended and restated as of October 15, 1998 (said Equipment Lease, as supplemented by this Supplement and all earlier executed Lease Supplements, is herein collectively referred to as the "Lease"). (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning set forth in Section 1.01 hereof.)

WITNESSETH:

WHEREAS, the Corporation desires to lease the 2013A Equipment, as hereinafter defined, to the City and the City desires to hire the 2013A Equipment from the Corporation subject to the terms and conditions of, and for the purposes set forth in, the Lease; and

WHEREAS, the City is authorized under the Constitution and laws of the State of California and its Charter to enter into this Supplement for the purposes, and subject to the terms and conditions, set forth herein; and

WHEREAS, the City has approved this Supplement, by delivering to the Trustee under the Indenture hereinafter mentioned, a Certificate of Approval acknowledged by the Corporation and accompanied by the Approving Resolution adopted on April __, 2013; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Supplement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Supplement;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; LEASE PROVISIONS

Section 1.01. Definitions. Capitalized undefined terms used herein which are defined in the Equipment Lease shall have the meanings ascribed to them in the Equipment

Lease. The following terms shall have the meanings indicated below unless the context clearly requires otherwise:

2013A Equipment

The term “2013A Equipment” means the Equipment to be financed with the proceeds of the Series 2013A Bonds and listed on the 2013A Equipment Schedule attached hereto as Exhibit A, as it may be amended from time to time in accordance with the terms of the Lease.

Series 2013A Bonds

The term “Series 2013A Bonds” means the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program), issued under and pursuant to the Indenture.

Series 2013A Continuing Disclosure Certificate

The term “Series 2013A Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate of the City, dated the date of delivery of the Series 2013A Bonds, as it may be amended from time to time in accordance with the terms thereof.

Series 2013A Project

The term “Series 2013A Project” means the acquisition and installation of all items of 2013A Equipment.

Series 2013A Rebate Account

The term “Series 2013A Rebate Account” means the account by that name established within the Rebate Fund pursuant to the Tax Certificate for the Series 2013A Bonds.

Tax Certificate

The term “Tax Compliance Certificate” means the Tax Compliance Certificate of the City, the Corporation and the Trustee, dated the date of delivery of the Series 2013A Bonds, together with the Exhibits thereto.

Section 1.02. Incorporation of Lease Terms. In accordance with Section 14.03 of the Equipment Lease, this Supplement shall be deemed to incorporate all of the terms and conditions of the Equipment Lease, which are hereby confirmed and ratified by the City and the Corporation, except to the extent that they are supplemented by this Supplement, and this Supplement shall be deemed to be a separate lease of the Series 2013A Project. The Lease Term for each item of 2013A Equipment is set forth on Exhibit A under the column “Lease Term (years)”.

Section 1.03. Compliance with Tax Certificate. In furtherance of the City’s tax covenants in Section 5.02 of the Equipment Lease and for the benefit of the owners of the

Series 2013A Bonds, the City hereby covenants and agrees to take all actions of the City necessary to comply with the terms of the Tax Certificate and to permit the Corporation to comply with the terms of Tax Certificate. Without limiting the generality of the foregoing, the City covenants and agrees:

(a) to pay to the Trustee, as Additional Rental under the Lease, the amount of any Rebate Requirement required by Section 4.10(a) of such Tax Certificate to be deposited into the Series 2013A Rebate Account in the Rebate Fund; and

(b) to make such payment on or before the dates required by the Tax Certificate.

Section 1.04. Corporation to Comply with City Contracting Requirements. The Corporation further agrees to comply with and be bound by the current contracting requirements of the City Charter and Administrative Code as summarized in Exhibit C hereto; provided, however, that the parties acknowledge that the Corporation has no employees and transacts no business other than assisting the City in the financing of public facilities, land and equipment for the use and benefit of the City and thus many of the requirements described in Exhibit C are not applicable to the Corporation's operations.

Section 1.05. Execution in Counterparts. This Supplement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARTICLE II

THE SERIES 2013A PROJECT

Section 2.01. Series 2013A Project. The Equipment Lease is hereby supplemented to allow the financing of the Series 2013A Project as described in the Equipment Schedule attached hereto as Exhibit A and pursuant to Section 14.01 of the Lease, hereby incorporated in Exhibit A to the Lease by reference.

The Base Rental for the Series 2013A Project shall be as set forth on Exhibit B hereto, which is hereby incorporated pursuant to Section 14.01 of the Lease in Exhibit B to the Lease by reference.

Section 2.02. Continuing Disclosure. The City hereby covenants and agrees that it will comply with the provisions of the Series 2013A Continuing Disclosure Certificate. Notwithstanding any other provision of the Lease, failure of the City to comply with the Series 2013A Continuing Disclosure Certificate shall not be considered an Event of Default; however, the obligations of the City under the Series 2013A Continuing Disclosure Certificate shall be subject to the provisions of Section 10 of the Twentieth Supplemental Indenture dated of even date herewith, between the Corporation and the Trustee, providing for the Series 2013A Bonds.

IN WITNESS WHEREOF, the Corporation and the City have caused this Supplement to be executed in their respective names with their seals hereunto affixed and attested by their respective duly authorized officers, all as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By _____
President

Attest:

Secretary

CITY AND COUNTY OF SAN FRANCISCO
Chartered City and County and Municipal
Corporation

[SEAL OF CITY]

Mayor

Attest:

Clerk of the Board of Supervisors

APPROVED AS TO FORM:
Dennis J. Herrera
City Attorney

By _____
Deputy City Attorney

APPROVED:

Director of Purchasing

[Signature page to Equipment Lease Supplement No. 19]

EXHIBIT A

DESCRIPTION OF LEASED EQUIPMENT

Series 2013A Equipment Schedule

Scheduled Completion Date: May 15, 2014

Upon acquisition of each item of 2013A Equipment, this 2013A Equipment Schedule shall be amended by the City to include a specific description and serial number (if applicable) for each such item of 2013A Equipment.

2013A EQUIPMENT LIST

Dept.	Equipment	Units	Estimated Total Cost	Dept. Total	Estimated Delivery Date	Lease Term (Years)
ADM	E150 Wgn	2	57,016.53		11/01/13	3
ADM	Colorado	1	22,041.01		10/01/13	3
ADM	Prius	1	25,073.82		11/01/13	3
ADM	Colorado	1	20,408.34		10/01/13	3
ADM	FORD F-150	1	21,080.90	145,620.59	11/01/13	3
APD	Toyota Prius Chevy Caprices	7	175,561.74	175,561.74	06/30/13	3
CAT	Prius	5	125,369.10	125,369.10	05/01/13	3
DAT	Police Pursuit Vehicle - Caprice	5	146,902.90		06/15/13	3
DAT	Vehicle (Insight)	1	21,662.48	168,565.38	05/01/13	3
DPH	Prius (Formerly City vehicle for Mosaic program)	1	25,073.82		06/13/12	3
DPH	GE Vivid E9 Ultrasound Machine	1	94,178.00		05/01/13	3
DPH	Multi-headed conference scope	1	48,120.84		05/01/13	3
DPH	E150 Wgn	1	24,441.25		05/01/13	3
DPH	E350 Wgn	1	25,765.04		05/01/13	3
DPH	Explorer	1	27,473.37		05/01/13	3
DPH	E150 Wgn	1	24,441.25		06/13/13	3
DPH	Prius	1	25,073.82		06/13/13	3
DPH	E150 Wgn	1	24,441.25		06/13/13	3
DPH	E350 Wgn	1	25,765.04		06/13/12	3
DPH	Vehicle (Insight)	4	86,649.94		06/13/13	3
DPH	Prius	1	25,073.82		06/13/13	3
DPH	E150 Wgn	2	48,882.49		06/01/13	3
DPH	Prius	1	25,073.82		06/01/13	3
DPH	Colorado	3	61,225.03		06/01/13	3
DPH	Vehicle (Insight)	2	43,324.97		06/01/13	3
DPH	Prius	4	100,295.28		06/01/13	3
DPH	Colorado	7	142,858.40		06/01/13	3
DPH	Vehicle (Insight)	1	21,662.48	899,819.89	06/01/13	3
DPW	Back-hoe ROPS FOPS	1	124,775.00		06/28/13	3
DPW	Pothole Truck crew Cag Heated Bed 5 YDS	1	174,142.50		02/26/14	3
DPW	3/4 Ton Pick Up Truck	1	38,669.40		05/15/13	3
DPW	Green Machine Sweeper Large	1	117,730.10		06/02/14	3
DPW	3/4 Ton Pick Up Truck	1	38,669.40		05/15/13	3
DPW	10 Wheel Dump Truck 12 YD Bed	3	439,425.00		06/28/13	3

Dept.	Equipment	Units	Estimated Total Cost	Dept. Total	Estimated Delivery Date	Lease Term (Years)
DPW	Concrete mixture Truck	1	184,450.00		01/24/14	3
DPW	Steamfitter Shop 1 Ton Pickup		35,805.00			
	Utility Bed	1			07/31/13	3
DPW	Ford 1/2 Ton Pickup	1	46,391.56		10/11/13	3
DPW	1 Ton Flat Bed 12" Watering Unit		48,825.00			
	lift gate Aux Fuel Tanks	1			07/31/13	3
DPW	3/4 Ton Pick Up Truck	2	77,338.80		05/15/13	3
DPW	GMC Flat Bed Truk-Side Gates-Lift Gate	1	60,760.00		08/30/13	3
DPW	Caterpillar Whl loader 2 YD	1	336,350.00	1,723,331.76	09/29/13	3
DSS	Ford Transit Connect Wagons	9	357,665.04		01/01/14	3
DSS	Toyota Prius Hybrid	3	75,221.46	432,886.50	11/01/13	3
ECD	Ford Utilitiy Police Interceptor	1	29,605.79	29,605.79	06/30/13	3
FIR	Aerial Ladder Truck	2	1,841,658.00		03/15/14	5
FIR	Fire Engine	4	2,004,580.00	3,846,238.00	01/05/14	5
JUV	Prius	4	100,295.28	100,295.28	07/15/13	3
PDR	Toyota Prius	5	125,369.10	125,369.10	05/01/13	3
POL	Marked Police Vehicles	15	813,750.00		06/01/13	3
POL	Prisoner Transport Vans	2	75,950.00	889,700.00	09/13/13	3
REC	TOYOTA PRIUS	1	25,073.82		06/15/13	3
REC	TOYOTA PRIUS	1	25,073.82		06/15/13	3
REC	TOYOTA PRIUS	1	25,073.82		06/15/13	3
REC	CHEVY COLORADO	1	21,985.24		06/15/13	3
REC	CHEVY COLORADO	1	20,732.37		06/15/13	3
REC	TORO GREENS MOWER GR3150	1	38,096.92		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	29,715.28		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	23,464.34		06/15/13	3
REC	TORO INFIELD PRO 5040	1	22,408.30		06/15/13	3
REC	FORD F-350	1	35,214.98		06/15/13	3
REC	FORD F-250	1	36,747.14		06/15/13	3
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	23,464.34		06/15/13	3
REC	TORO 3420 TRIFLEX HYBRID	1	47,049.07		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	30,315.46		06/15/13	3
REC	TORO GROUNDSMASTER 3280D	1	23,529.99		06/15/13	3
REC	FORD F-150 XL	1	25,997.55		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	26,778.83		06/15/13	3
REC	TORO WORKMAN HDX, 4WD	1	23,464.34		06/15/13	3
REC	FORD F-250	1	37,029.52		06/15/13	3
REC	TORO WORKMAN	1	29,943.97		06/15/13	3
REC	CHEVY COLORADO	1	21,989.99		06/15/13	3
REC	FORD F-250	1	36,747.14		06/15/13	3
REC	TORO WORKMAN	1	29,943.97		06/15/13	3
REC	TORO WORKMAN	1	23,464.34		06/15/13	3
REC	MULTI PRO 5800	1	54,665.19		06/15/13	3
REC	FORD F-250	1	36,747.14		06/15/13	3
REC	FORD F-250, 4WD	1	32,563.76		06/15/13	3
REC	55' AERIAL LIFT	1	265,825.00		06/15/13	3
REC	CHEVY COLORADO	1	23,501.82		06/15/13	3
REC	FORD F-250, 4WD	1	40,490.78		06/15/13	3
REC	FORD E-350, CNG	1	44,453.68		06/15/13	3

<u>Dept.</u>	<u>Equipment</u>	<u>Units</u>	<u>Estimated Total Cost</u>	<u>Dept. Total</u>	<u>Estimated Delivery Date</u>	<u>Lease Term (Years)</u>
REC	CHEVY COLORADO	1	25,655.30		06/15/13	3
REC	CHEVY COLORADO	1	22,557.93		06/15/13	3
REC	FORD F-150	1	29,300.01		06/15/13	3
REC	FORD F-250, 4WD	1	31,343.74		06/15/13	3
REC	FORD F-150	1	29,300.01		06/15/13	3
REC	FORD E-350, CNG	1	44,453.68		06/15/13	3
REC	CHEVY COLORADO	1	21,506.03	1,432,717.67	06/15/13	3
REG	E150 Wgn	1	24,441.25		06/01/13	3
REG	Vehicle (Insight)	1	21,662.48		06/01/13	3
REG	FORD F-150	1	43,123.42	89,227.15	06/01/13	3
SHF	Ford Police Interceptor Vehicle	1	32,550.00	32,550.00	06/01/13	3
TIS	Explorer	1	27,473.37		09/01/13	3
TIS	Explorer	1	27,473.37	54,946.74	09/01/13	3
		165	10,271,759.70	10,271,759.70		

EXHIBIT B

SERIES 2013A BASE RENTAL PAYMENT SCHEDULE

Due Date	Amount Attributable to Principal	Amount Attributable to Interest	Total
September 15, 2013	\$ _____	\$ _____	\$ _____
March 15, 2014			
September 15, 2014			
March 15, 2015			
September 15, 2015			
March 15, 2016			
September 15, 2016			
March 15, 2017			
September 15, 2017			
March 15, 2018			
September 15, 2018			
March 15, 2019			

EXHIBIT C

ADDITIONAL CITY REQUIREMENTS

As used in this Exhibit C, "Agreement" means the Lease, as supplemented by Equipment Lease Supplement No. 19.

To the extent Sections 1511 through 1518 of the existing Lease, or Exhibit C to any existing Lease Supplement, are inconsistent with the provisions of this Exhibit C, the provisions of this Exhibit C shall control.

1. *Conflict of Interest.* Through its execution of this Agreement, Corporation acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

2. *Proprietary or Confidential Information of City.* Corporation understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Corporation may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Corporation agrees that all information disclosed by City to Corporation shall be held in confidence and used only in performance of the Agreement. Corporation shall exercise the same standard of care to protect such information as a reasonably prudent Corporation would use to protect its own proprietary data.

3. *Ownership of Results.* Any interest of Corporation or its Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Corporation or its Subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to City. However, Corporation may retain and use copies for reference and as documentation of its experience and capabilities.

4. *Works for Hire.* If, in connection with services performed under this Agreement, Corporation or its Subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by Corporation or its Subcontractors under this Agreement are not works for hire under U.S. law, Corporation hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, Corporation may retain and use copies of such works for reference and as documentation of its experience and capabilities.

5. *Audit and Inspection of Records.* Corporation agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Corporation will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Corporation shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section.

6. *Subcontracting.* Corporation is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

7. *Assignment.* The services to be performed by Corporation are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Corporation unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

8. *Non-Waiver of Rights.* The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

9. *Earned Income Credit (EIC) Forms.* Administrative Code section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. Corporation shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless Corporation has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Corporation; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by Corporation of the terms of this Agreement. If, within thirty days after Corporation receives written notice of such a breach, Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, Corporation fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law. Any Subcontract entered into by Corporation shall require the Subcontractor to comply, as to the Subcontractor's Eligible Employees, with each of the terms of this section. Capitalized terms used in this Section and not

defined in this Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

10. Local Business Enterprise Utilization; Liquidated Damages.

11. *The LBE Ordinance.* Corporation, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "*LBE Ordinance*"), provided such amendments do not materially increase Corporation's obligations or liabilities, or materially diminish Corporation's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Corporation's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Corporation's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Corporation shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

12. *Compliance and Enforcement.* If Corporation willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Corporation shall be liable for liquidated damages in an amount equal to Corporation's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "*Director of HRC*") may also impose other sanctions against Corporation authorized in the LBE Ordinance, including declaring the Corporation to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Corporation's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Agreement, Corporation acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Corporation further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Corporation on any contract with City. Corporation agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

13. Nondiscrimination; Penalties.

14. *Corporation Shall Not Discriminate.* In the performance of this Agreement, Corporation agrees not to discriminate against any employee, City and County employee working with such Corporation or Subcontractor, applicant for employment with such Corporation or Subcontractor, or against any person seeking accommodations, advantages,

facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

15. *Subcontracts.* Corporation shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all Subcontractors to comply with such provisions. Corporation's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

16. *Nondiscrimination in Benefits.* Corporation does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

17. *Condition to Contract.* As a condition to this Agreement, Corporation shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

18. *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Corporation shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Corporation understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Corporation and/or deducted from any payments due Corporation.

19. *MacBride Principles—Northern Ireland.* Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride

Principles. By signing below, the person executing this agreement on behalf of Corporation acknowledges and agrees that he or she has read and understood this section.

20. *Tropical Hardwood and Virgin Redwood Ban.* Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges Corporations not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

21. *Drug-Free Workplace Policy.* Corporation acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Corporation agrees that any violation of this prohibition by Corporation, its employees, agents or assigns will be deemed a material breach of this Agreement.

22. *Resource Conservation.* Chapter 5 of the San Francisco Environment Code ("*Resource Conservation*") is incorporated herein by reference. Failure by Corporation to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

~~23. *Compliance with Americans with Disabilities Act.* Corporation acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Corporation, must be accessible to the disabled public. Corporation shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Corporation agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Corporation, its employees, agents or assigns will constitute a material breach of this Agreement.~~

24. *Sunshine Ordinance.* In accordance with San Francisco Administrative Code §67.24(e), contracts, Corporations' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

25. *Public Access to Meetings and Records.* If the Corporation receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Corporation shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Agreement, the Corporation agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Corporation further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Corporation acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a

material breach of this Agreement. The Corporation further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

26. *Limitations on Contributions.* Through execution of this Agreement, Corporation acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Corporation acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Corporation further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Corporation's board of directors; Corporation's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Corporation; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Corporation. Additionally, Corporation acknowledges that Corporation must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Corporation further agrees to provide to City the names of each person, entity or committee described above.

27. Requiring Minimum Compensation for Covered Employees.

28. Corporation agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Corporation's obligations under the MCO is set forth in this Section. Corporation is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

29. The MCO requires Corporation to pay Corporation's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Corporation is obligated to keep informed of the then-current requirements. Any subcontract entered into by Corporation shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Corporation's obligation to ensure that any Subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any Subcontractor under this

Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Corporation.

30. Corporation shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

31. Corporation shall maintain employee and payroll records as required by the MCO. If Corporation fails to do so, it shall be presumed that the Corporation paid no more than the minimum wage required under State law.

32. The City is authorized to inspect Corporation's job sites and conduct interviews with employees and conduct audits of Corporation.

33. Corporation's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Corporation fails to comply with these requirements. Corporation agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Corporation's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

34. Corporation understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

35. Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

36. If Corporation is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Corporation later enters into an agreement or agreements that cause Corporation to exceed that amount in a fiscal year, Corporation shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Corporation and this department to exceed \$25,000 in the fiscal year.

37. *Requiring Health Benefits for Covered Employees.* Corporation agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability

Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

38. For each Covered Employee, Corporation shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Corporation chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

39. Notwithstanding the above, if the Corporation is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

40. Corporation's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Corporation if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Corporation fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Corporation fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

41. Any Subcontract entered into by Corporation shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Corporation shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Corporation shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Corporation based on the Subcontractor's failure to comply, *provided* that City has first provided Corporation with notice and an opportunity to obtain a cure of the violation.

42. Corporation shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Corporation's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

43. Corporation represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

44. Corporation shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

45. Corporation shall keep itself informed of the current requirements of the HCAO.

46. Corporation shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

47. Corporation shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

48. Corporation shall allow City to inspect Corporation's job sites and have access to Corporation's employees in order to monitor and determine compliance with HCAO.

49. City may conduct random audits of Corporation to ascertain its compliance with HCAO. ~~Corporation agrees to cooperate with City when it conducts such audits.~~

50. If Corporation is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Corporation later enters into an agreement or agreements that cause Corporation's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Corporation and the City to be equal to or greater than \$75,000 in the fiscal year.

51. *Prohibition on Political Activity with City Funds.* In accordance with San Francisco Administrative Code Chapter 12.G, Corporation may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "*Political Activity*") in the performance of the services provided under this Agreement. Corporation agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Corporation violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Corporation from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Corporation's use of profit as a violation of this section.

52. *Preservative-treated Wood Containing Arsenic.* Corporation may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "*preservative-treated wood containing arsenic*" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination,

including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Corporation may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Corporation from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "*saltwater immersion*" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

53. *Compliance with Laws.* Corporation shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

54. *Protection of Private Information.* Corporation has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Corporation agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Corporation pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Corporation.

55. *Graffiti Removal.* Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Corporation shall remove all graffiti from any real property owned or leased by Corporation in the City and County of San Francisco within forty-eight (48) hours of the earlier of Corporation's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Corporation to breach any lease or other agreement that it may have concerning its use of the real property. The term "*graffiti*" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other

painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Corporation to comply with this section of this Agreement shall constitute an Event of Default of this Agreement.

56. *Food Service Waste Reduction Requirements.* Effective June 1, 2007, Corporation agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, Corporation agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Corporation agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Corporation's failure to comply with this provision.

57. *Cooperative Drafting.* This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

CERTIFICATE OF APPROVAL

TO: CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a California nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

The undersigned Authorized Officer of the City and County of San Francisco (the "City") hereby certifies with respect to that certain Equipment Lease, by and between you and the City, dated as of January 1, 1991, as amended and restated as of October 15, 1998 (the "Lease"), that the Equipment Lease Supplement No. 19, dated as of May 1, 2013, including the Equipment Schedule and Base Rental Payment Schedule attached thereto and the other amendments or supplements attached thereto (collectively, the "Supplement No. 19"), have been approved by the City and are in compliance with the terms of the Lease.

Upon your acknowledgment and acceptance of this Certificate, you and the City hereby agree to incorporate said Supplement No. 19 into the Lease as provided in Section 14.01 of the Lease.

Dated: _____, 2013

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

By: _____
Mayor

Acknowledged and Accepted:

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION,
as, Lessor

Authorized Officer

TWENTIETH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

and the

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Dated as of May 1, 2013

relating to the

\$XXX
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS,
SERIES 2013A (EQUIPMENT PROGRAM)

and

Supplemental to the Indenture, dated as of January 1, 1991,
as amended and restated as of October 15, 1998

TABLE OF CONTENTS

Section 1.	Definitions	2
Section 2.	Ratification of Indenture.....	3
Section 3.	Authorization of Series 2013A Bonds.....	3
Section 4.	Denominations, Form and Dating of Series 2013A Bonds	4
Section 5.	Maturities and Interest Rates of Series 2013A Bonds	4
Section 6.	Authentication of Series 2013A Bonds	4
Section 7.	Redemption of Series 2013A Bonds.....	5
Section 8.	Establishment of Accounts; Deposit of Proceeds of the Series 2013A Bonds and Other Moneys	5
Section 9.	Series 2013A Equipment Prepayments	6
Section 10.	Continuing Disclosure	6
Section 11.	Trustee’s Fees and Expenses and Compliance with City Contracting Requirements	6
Section 12.	Execution in Counterparts	7
EXHIBIT A	FORM OF SERIES 2013A BONDS	A-1
EXHIBIT B	TRUSTEE’S FEES AND EXPENSES	B-1
EXHIBIT C	ADDITIONAL CITY REQUIREMENTS	C-1

TWENTIETH SUPPLEMENTAL INDENTURE

THIS TWENTIETH SUPPLEMENTAL INDENTURE is made and entered into as of May 1, 2013 (the "Twentieth Supplemental Indenture"), by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee"), and the CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a nonprofit public benefit corporation, duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"). (Capitalized terms used in the Whereas clauses which are not defined therein shall have the meaning set forth in Section 1 hereof.)

WITNESSETH:

WHEREAS, the Corporation and the City and County of San Francisco (the "City") have previously entered into a lease entitled "Equipment Lease Supplement No. 19 (Series 2013A Bonds)" and dated as of the date hereof (the "2013A Lease Supplement"), supplemental to the Equipment Lease, dated as of January 1, 1991, as amended and restated as of October 15, 1998 (the "Equipment Lease"), by and between the Corporation and the City (as supplemented by the 2013A Lease Supplement and as previously supplemented by other Supplemental Leases, collectively the "Lease"); and

WHEREAS, under the Lease, the City is obligated to make Base Rental payments to the Corporation for the lease of Equipment; and

WHEREAS, the Corporation and the Trustee have heretofore entered into an Indenture, dated as of January 1, 1991, as amended and restated as of October 15, 1998 (as supplemented by this Twentieth Supplemental Indenture and as previously supplemented by other Supplemental Indentures, collectively the "Indenture"), for the purpose of securing the Bonds issued thereunder, which Indenture permits the issuance of the Bonds in one or more series pursuant to Supplemental Indentures, of which this is the Twentieth; and

WHEREAS, pursuant to the Indenture, the Corporation has determined to issue another Series of Bonds (the "Series 2013A Bonds," as hereinafter defined) in an amount equal to the aggregate principal components of Base Rental payments required to be paid pursuant to the 2013A Lease Supplement, and has previously issued Bonds in the following initial principal amounts:

<u>Series</u>	<u>Amount</u>
1991A	\$ 7,020,000
1992A	5,555,000
1993A	10,200,000
1994A	6,850,000
1995A	6,075,000
1996A	7,065,000
1997A	13,715,000
1998A	10,835,000
1999A	8,315,000

<u>Series</u>	<u>Amount</u>
2002A	7,900,000
2003A	10,975,000
2004A	9,530,000
2005A	9,420,000
2006A	10,135,000
2007A	11,830,000
2008A	11,885,000
2010A	10,255,000
2011A	14,725,000
2012A	9,815,000

WHEREAS, the aggregate principal amount of the Series 2013A Bonds authorized to be issued hereby, together with the aggregate principal amount of Bonds previously issued and Outstanding pursuant to the Indenture, does not exceed the aggregate principal amount of Bonds permitted to be issued and Outstanding pursuant to Section 2.01 of the Indenture; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Twentieth Supplemental Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Twentieth Supplemental Indenture.

NOW, THEREFORE, THIS TWENTIETH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, as follows:

SECTION 1. Definitions.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture or, if not defined therein, in the 2013A Lease Supplement. The following terms will have the meanings indicated below unless the context clearly requires otherwise:

Series 2013A Bonds

The term “Series 2013A Bonds” means the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) issued hereunder.

Series 2013A Continuing Disclosure Certificate

The term “Series 2013A Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate of the City, dated the Series 2013A Delivery Date, as it may be amended from time to time in accordance with the terms thereof.

Series 2013A Delivery Date

The term “Series 2013A Delivery Date” means the date of delivery of the Series 2013A Bonds to the initial purchasers thereof.

Series 2013A Equipment Prepayment

The term "Series 2013A Equipment Prepayment" means the prepayment of Base Rental payments with respect to an item of 2013A Equipment in accordance with Section 4.04 of the Lease.

Series 2013A Base Rental Payment Account

The term "Series 2013A Base Rental Payment Account" means the Series 2013A Base Rental Payment Account created in Section 8(a) hereof in the Base Rental Payment Fund, including the Series 2013A Interest Account and Series 2013A Principal Account therein.

Series 2013A Reserve Requirement

The term "Series 2013A Reserve Requirement" means, as of the Series 2013A Delivery Date, \$_____. On the dates set forth below, the Series 2013A Reserve Requirement shall be reduced to the amounts set forth below and the Trustee shall transfer the amount in excess of the reduced Series 2013A Reserve Requirement to the Series 2013A Interest Account and Series 2013A Principal Account in the Base Rental Payment Fund to be used by the Trustee to pay principal of and interest on the Series 2013A Bonds, unless as of any date of such reduction, the Trustee determines (after giving effect to the scheduled transfer of such amount) insufficient funds will be on deposit in the Series 2013A Interest Account and the Series 2013A Principal Account to pay the interest and principal due on the Series 2013A Bonds on such date (and to pay any past due principal or interest on the Series 2013A Bonds).

<u>Date</u>	<u>Series 2013A Reserve Requirement</u>
October 1, 2014	
October 1, 2015	
October 1, 2016	
October 1, 2017	
October 1, 2018	

SECTION 2. Ratification of Indenture. This Twentieth Supplemental Indenture is entered into pursuant to Article IX of the Indenture for the purpose of securing the Series 2013A Bonds and providing the terms thereof and to provide additional agreements of the Corporation. This Twentieth Supplemental Indenture shall be deemed to be a part of the Indenture and to incorporate all provisions of the Indenture not expressly inconsistent herewith as if such provisions were set forth herein. Except as expressly amended by this Twentieth Supplemental Indenture, all provisions of the Indenture are hereby ratified and confirmed.

SECTION 3. Authorization of Series 2013A Bonds. There is hereby authorized to be issued a Series of Bonds in an aggregate principal amount of \$XXX, which Series of Bonds shall be designated "City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program)."

SECTION 4. Denominations, Form and Dating of Series 2013A Bonds. The Series 2013A Bonds shall be issued in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof and shall be initially registered in the name of “Cede & Co.” The Series 2013A Bonds shall be dated as of the Series 2013A Delivery Date, and shall be substantially in the form attached hereto as Exhibit A and hereby incorporated herein by reference. Series 2013A Bonds authenticated and registered on any date prior to the close of business on the first Record Date (as defined below) shall bear interest from the dated date of the Series 2013A Bonds. Series 2013A Bonds authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Series 2013A Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication; provided, however, that if, at the time of authentication of any Series 2013A Bond, interest is then in default on Outstanding Series 2013A Bonds, such Series 2013A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The interest represented by the Series 2013A Bonds is payable by check mailed to the Owners at the addresses appearing on the bond registration books as of the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date (the “Record Date”); provided that upon the written request of at least \$1,000,000 in aggregate principal amount of Series 2013A Bonds on or prior to the applicable Record Date, such payment shall be made by wire transfer in immediately available funds to an account with a financial institution within the United States of America designated by such Owner.

SECTION 5. Maturities and Interest Rates of Series 2013A Bonds. The Series 2013A Bonds shall mature on the dates and in the amounts, with interest thereon at the rates, as follows:

<u>Maturity Dates</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
April 1, 2014	\$	%
October 1, 2014		
April 1, 2015		
October 1, 2015		
April 1, 2016		
October 1, 2016		
April 1, 2017		
October 1, 2017		
April 1, 2018		
October 1, 2018		
April 1, 2019		

The interest on the Series 2013A Bonds shall be payable on April 1 and October 1 of each year, commencing on October 1, 2013, and continuing to and including their respective maturities, or redemption prior thereto.

SECTION 6. Authentication of Series 2013A Bonds. Upon the sale and execution thereof by the Corporation, the Trustee shall authenticate and deliver, to or upon a Written Request of the Corporation, the Series 2013A Bonds in the aggregate principal amount of \$XXX.

SECTION 7. Redemption of Series 2013A Bonds.

(a) The Series 2013A Bonds are subject to redemption prior to their maturity, as a whole, or in part, from prepaid Base Rental payments made by the City related to the 2013A Equipment from Net Proceeds under the terms and conditions of Section 4.01(a) of the Indenture.

(b) The Series 2013A Bonds are also subject to redemption following receipt by the Trustee of a Certificate of Completion for the Series 2013A Project from moneys remaining in the Series 2013A Project Account and transferred to the Redemption Fund under the terms and conditions of Section 4.01(b) of the Indenture.

(c) The Series 2013A Bonds are not subject to optional redemption prior to their maturity.

SECTION 8. Establishment of Accounts; Deposit of Proceeds of the Series 2013A Bonds and Other Moneys.

(a) The following accounts are hereby established within the funds and accounts indicated:

in the Base Rental Payment Fund

Series 2013A Base Rental Payment Account

Series 2013A Interest Account

Series 2013A Principal Account

in the Costs of Issuance Fund

Series 2013A Costs of Issuance Account

in the Reserve Fund

Series 2013A Reserve Account

in the Acquisition Fund

Series 2013A Project Account.

(b) The proceeds received from the sale of the Series 2013A Bonds (\$_____) shall be deposited by the Trustee in the following respective accounts, as directed by a Written Request of the Corporation to be delivered on or prior to the date of delivery of the Series 2013A Bonds:

- (1) The Trustee shall deposit in the Series 2013A Interest Account \$_____ for capitalized interest.

- (2) The Trustee shall deposit in the Series 2013A Costs of Issuance Account, the amount of \$_____.
- (3) The Trustee shall deposit in the Series 2013A Reserve Account, an amount equal to \$_____, being the initial amount of the Series 2013A Reserve Requirement.
- (4) The Trustee shall deposit in the Working Capital Fund, the amount of \$_____.
- (5) The Trustee shall deposit the remainder of said proceeds \$_____ in the Series 2013A Project Account.

SECTION 9. Series 2013A Equipment Prepayments.

The Trustee shall deposit all Series 2013A Equipment Prepayments in the Series 2013A Base Rental Payment Account and shall apply such amounts in accordance with the Written Request of the Corporation solely to the transfer of such amounts to the Series 2013A Interest Account or the Series 2013A Principal Account for payment of Base Rental payments with respect to the Series 2013A Bonds.

SECTION 10. Continuing Disclosure.

Notwithstanding any other provision of the Indenture, failure of the City to comply with the Series 2013A Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may and, at the request of a Participating Underwriter (as defined in the Series 2013A Continuing Disclosure Certificate), or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Series 2013A Bonds, shall, or any Bondholder or Beneficial Owner (as defined in the Series 2013A Continuing Disclosure Certificate) may, take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Series 2013A Continuing Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City, and that the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply with the Continuing Disclosure Certificate shall be an action to compel performance.

SECTION 11. Trustee's Fees and Expenses and Compliance with City Contracting Requirements.

Attached hereto as Exhibit B and hereby incorporated herein by reference is a listing of the Trustee's fees and charges. So long as any Series 2013A Bond remains Outstanding, the Trustee shall not increase any of the fees and charges on Exhibit B without the prior written consent of an Authorized Officer of the Corporation.

The Trustee further agrees to comply with and be bound by the current contracting requirements of the City Charter and Administrative Code as summarized in Exhibit C.

SECTION 12. Execution in Counterparts.

This Twentieth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[balance of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Twentieth Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By _____
President

Attest:

Secretary

[Signature Page to Twentieth Supplemental Indenture]

EXHIBIT A

FORM OF SERIES 2013A BONDS

UNLESS THIS SERIES 2013A BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2013A BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-

\$

**CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BOND, SERIES 2013A (EQUIPMENT PROGRAM)**

Maturity Date	Interest Rate	Issue Date	CUSIP
	%	_____	
		2013	

Registered Owner: _____

Principal Amount: _____ DOLLARS

THE CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION, a nonprofit public benefit corporation duly organized and existing under and pursuant to the laws of the State of California (herein called the "Corporation"), for value received, hereby promises to pay (but only out of the revenues hereinafter referred to) to the Registered Owner specified above, or registered assigns, on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for) the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the Interest Rate specified above, payable on April 1 and October 1 in each year (each, an "Interest Payment Date"), commencing October 1, 2013.

If this Series 2013A Bond is authenticated and registered on any date prior to the close of business on September 15, 2013, it shall bear interest from the issue date hereof. If authenticated during the period between any Record Date (defined as the 15th day of the month preceding an Interest Payment Date) and the close of business on its corresponding Interest Payment Date, it shall bear interest from such Interest Payment Date. Otherwise, this Series 2013A Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication, provided, however, that if, at the time of authentication of this Series 2013A Bond, interest is then in default on outstanding Series 2013A Bonds, this Series 2013A Bond

shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The interest represented by this Series 2013A Bond is payable by check mailed to the Registered Owner at the address appearing on the bond registration books as of the close of business on the Record Date immediately preceding each Interest Payment Date; provided that upon the written request of at least \$1,000,000 in aggregate principal amount of Series 2013A Bonds on or prior to the applicable Record Date, such payment shall be made by wire transfer in immediately available funds to an account with a financial institution within the United States of America designated by such Owner. The principal hereof is payable at the Principal Corporate Trust Office of U.S. Bank National Association, as trustee (together with any successor, the "Trustee").

This Series 2013A Bond is one of a duly authorized issue of Series 2013A Bonds of the Corporation designated as the "City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program)" (herein called the "Series 2013A Bonds"), of an aggregate principal amount of \$XXX, all issued pursuant to the provisions of an Indenture by and between the Corporation and the Trustee, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by a Twentieth Supplemental Indenture, by and between the Corporation and the Trustee, dated as of May 1, 2013 (as so supplemented and as previously supplemented, the "Indenture"), providing for the issuance of the Series 2013A Bonds.

Capitalized terms used herein which are not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at said Principal Corporate Trust Office of the Trustee) for a description of the terms on which the Series 2013A Bonds are issued, the provisions with regard to the nature and extent of the Base Rental payment (as that term is defined in the Indenture), and the rights thereunder of the Owners of the Series 2013A Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Corporation thereunder, to all of the provisions of which Indenture the Registered Owner of this Series 2013A Bond, by acceptance hereof, assents and agrees.

This Series 2013A Bond and the interest hereon and all other Series 2013A Bonds and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on, the Base Rental payments payable to the Corporation by the City and County of San Francisco (the "City") with respect to the Series 2013A Equipment pursuant to the Equipment Lease, by and between the Corporation, as lessor, and the City, as lessee, dated as of January 1, 1991, as amended and restated as of October 15, 1998, and as supplemented by Equipment Lease Supplement No. 19, by and between the Corporation and the City, dated as of May 1, 2013 (as so supplemented and as previously supplemented, the "Lease") and amounts held in the funds and accounts established pursuant to the Indenture (except the Rebate Fund) for the payment of the Series 2013A Bonds. As and to the extent set forth in the Indenture, all such amounts are pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture, for the security and payment or redemption of, and for the security and payment of interest on, the Series 2013A Bonds; but nevertheless, in accordance with the Indenture, out of such amounts certain amounts may be applied for other purposes as provided in the Indenture.

The Series 2013A Bonds of this issue constitute special obligations, and evidence a special indebtedness, of the Corporation, which are a charge upon, and payable, both as to principal and interest, and as to any premiums upon the redemption of any thereof, solely from the amounts specified in the Indenture and in the proceedings for their issuance, and do not constitute a debt of the City, the State of California, or any of its political subdivisions and neither the City, the State of California, nor any of its political subdivisions is liable thereon, nor in any event shall the Series 2013A Bonds be payable out of any funds or property other than such amounts. The Series 2013A Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction.

The rights and obligations of the Corporation and the Owners of the Series 2013A Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (1) extend the fixed maturity of this Series 2013A Bond or reduce the rate of interest hereon or extend the time of payment of interest, or reduce the amount of the principal hereof, without the consent of the Owners hereof, or (2) reduce the percentage of Series 2013A Bonds required for the affirmative vote or written consent to an amendment or modification, or (3) modify any of the rights or obligations of the Trustee without the written assent thereto by the Trustee; all as more fully set forth in the Indenture.

The Series 2013A Bonds are subject to redemption under the circumstances prescribed and as provided in the Indenture. The Series 2013A Bonds are not subject to optional redemption.

If this Series 2013A Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Series 2013A Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 and any authorized multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Series 2013A Bonds may be exchanged for a like aggregate principal amount of fully registered Series 2013A Bonds of any other authorized denominations subject to the conditions and restrictions contained in the Indenture.

This Series 2013A Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Series 2013A Bond. Upon such transfer a new fully registered Series 2013A Bond or Series 2013A Bonds without coupons of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity, will be issued to the transferee in exchange herefor.

The Corporation and the Trustee may treat the Registered Owner hereof as the absolute Owner hereof for all purposes, and the Corporation and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Series 2013A

Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Charter of the City and the laws of the State of California, and that the amount of this Series 2013A Bond, together with all other indebtedness of the Corporation, does not exceed any limit prescribed by any laws of the State of California or by the Charter of the City, and is not in excess of the amount of Series 2013A Bonds permitted to be issued under the Indenture.

This Series 2013A Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, THE CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION has caused this Lease Revenue Bond, Series 2013A (Equipment Program) to be executed in its name and on its behalf with the manual or facsimile signature of its President and its seal to be reproduced hereon and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the issue date hereof.

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By _____
President

[Seal]

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated: _____

By _____
Authorized Officer

OPINION OF BOND COUNSEL

The following is a true copy of the text of the opinion rendered to the City and the Corporation by Squire Sanders (US) LLP in connection with the original issuance of the Series 2013A Bonds. The opinion is dated as of and premised on the transcript of proceedings examined and the law in effect on the date of the original delivery of the Series 2013A Bonds. A signed copy of the opinion is on file in the office of the Trustee.

Trustee

[TO BE INSERTED ON DELIVERY]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Series 2013A Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Trustee with full power of substitution in the premises.

Dated: _____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Series 2013A Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee:

(Signature(s) must be guaranteed by
an eligible guarantor institution.)

EXHIBIT B

TRUSTEE'S FEES AND EXPENSES

**Schedule of Fees for Services as
Trustee, Paying Agent, Registrar and Transfer Agent
For
City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2013A (Equipment Program)**

- CTS04200 **Trustee** Annual fee for the standard trustee services associated with the administration of the account. Administration fees are payable in advance. \$ _____
- CTS01010A **Acceptance Fee** The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing. \$ _____
- CTS16156B **Legal Expenses** Includes fees and expenses of legal counsel as well as the rendering of a standard legal opinion if required. \$ _____

Direct Out of Pocket Expenses Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees.

Extraordinary Services Extraordinary Services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the services and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

EXHIBIT C

ADDITIONAL CITY REQUIREMENTS

As used in this *Exhibit C*, “*Agreement*” means the Indenture, as supplemented by the Twentieth Supplemental Indenture.

To the extent of any inconsistency between the provisions in this *Exhibit C* and provisions in *Exhibits C* of any existing Supplemental Indentures, the provisions of this *Exhibit C* shall control.

1. *Conflict of Interest.* Through its execution of this Agreement, Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City’s Charter, Article III, Chapter 2 of City’s Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Agreement.

2. *Proprietary or Confidential Information of City.* Trustee understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. Trustee agrees that all information disclosed by City to Trustee shall be held in confidence and used only in performance of the Agreement. Trustee shall exercise the same standard of care to protect such information as a reasonably prudent Trustee would use to protect its own proprietary data.

3. *Ownership of Results.* Any interest of Trustee or its Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by Trustee or its Subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to City. However, Trustee may retain and use copies for reference and as documentation of its experience and capabilities.

4. *Works for Hire.* If, in connection with services performed under this Agreement, Trustee or its Subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by Trustee or its Subcontractors under this Agreement are not works for hire under U.S. law, Trustee hereby assigns all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, Trustee may retain and use copies of such works for reference and as documentation of its experience and capabilities.

5. *Audit and Inspection of Records.* Trustee agrees to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Agreement. Trustee will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Agreement, whether funded in whole or in part under this Agreement. Trustee shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Agreement or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Agreement shall have the same rights conferred upon City by this Section.

6. *Subcontracting.* Trustee is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Agreement, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

7. *Assignment.* The services to be performed by Trustee are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by City by written instrument executed and approved in the same manner as this Agreement.

8. *Non-Waiver of Rights.* The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

9. *Earned Income Credit (EIC) Forms.* Administrative Code section 120 requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by Trustee of the terms of this Agreement. If, within thirty days after Trustee receives written notice of such a breach, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Agreement or under applicable law. Any Subcontract entered into by Trustee shall require the Subcontractor to comply, as to the Subcontractor's Eligible Employees, with each of the terms of this section. Capitalized terms used in this Section and not defined in this Agreement shall

have the meanings assigned to such terms in Section 120 of the San Francisco Administrative Code.

10. *Local Business Enterprise Utilization; Liquidated Damages.*

(a) *The LBE Ordinance.* Trustee, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "*LBE Ordinance*"), provided such amendments do not materially increase Trustee's obligations or liabilities, or materially diminish Trustee's rights, under this Agreement. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Agreement as though fully set forth in this section. Trustee's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of Trustee's obligations under this Agreement and shall entitle City, subject to any applicable notice and cure provisions set forth in this Agreement, to exercise any of the remedies provided for under this Agreement, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Agreement expressly provides that any remedy is exclusive. In addition, Trustee shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

(b) *Compliance and Enforcement.* If Trustee willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Agreement pertaining to LBE participation, Trustee shall be liable for liquidated damages in an amount equal to Trustee's net profit on this Agreement, or 10% of the total amount of this Agreement, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "*Director of HRC*") may also impose other sanctions against Trustee authorized in the LBE Ordinance, including declaring the Trustee to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Trustee's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Agreement, Trustee acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Trustee further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to Trustee on any contract with City. Trustee agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Agreement, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

11. *Nondiscrimination; Penalties.*

(a) *Trustee Shall Not Discriminate.* In the performance of this Agreement, Trustee agrees not to discriminate against any employee, City and County employee working with such Trustee or Subcontractor, applicant for employment with such Trustee or Subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age,

hNinet, wNinet, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) *Subcontracts.* Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all Subcontractors to comply with such provisions. Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) *Nondiscrimination in Benefits.* Trustee does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(d) *Condition to Contract.* As a condition to this Agreement, Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) *Incorporation of Administrative Code Provisions by Reference.* The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Trustee shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Trustee and/or deducted from any payments due Trustee.

12. *MacBride Principles—Northern Ireland.* Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Trustee acknowledges and agrees that he or she has read and understood this section.

13. *Tropical Hardwood and Virgin Redwood Ban.* Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges Trustees not to

import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

14. *Drug-Free Workplace Policy.* Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Trustee agrees that any violation of this prohibition by Trustee, its employees, agents or assigns will be deemed a material breach of this Agreement.

15. *Resource Conservation.* Chapter 5 of the San Francisco Environment Code ("*Resource Conservation*") is incorporated herein by reference. Failure by Trustee to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

16. *Compliance with Americans with Disabilities Act.* Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Trustee, must be accessible to the disabled public. Trustee shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of Trustee, its employees, agents or assigns will constitute a material breach of this Agreement.

17. *Sunshine Ordinance.* In accordance with San Francisco Administrative Code §67.24(e), contracts, Trustees' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

18. *Public Access to Meetings and Records.* If the Trustee receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, Trustee shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Agreement, the Trustee agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Trustee further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. The Trustee acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Trustee further acknowledges that such material breach of the Agreement shall be grounds for the City to terminate and/or not renew the Agreement, partially or in its entirety.

19. *Limitations on Contributions.* Through execution of this Agreement, Trustee acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental

Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of Trustee's board of directors; Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in Trustee; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Trustee. Additionally, Trustee acknowledges that Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Trustee further agrees to provide to City the names of each person, entity or committee described above.

20. *Requiring Minimum Compensation for Covered Employees.* (a) Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Trustee's obligations under the MCO is set forth in this Section. Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires Trustee to pay Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by Trustee shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Trustee's obligation to ensure that any Subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any Subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Trustee.

(c) Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(d) Trustee shall maintain employee and payroll records as required by the MCO. If Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(e) The City is authorized to inspect Trustee's job sites and conduct interviews with employees and conduct audits of Trustee.

(f) Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(g) Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(h) Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(i) If Trustee is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but Trustee later enters into an agreement or agreements that cause Trustee to exceed that amount in a fiscal year, Trustee shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and this department to exceed \$25,000 in the fiscal year.

21. *Requiring Health Benefits for Covered Employees.* Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(c) Trustee's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Trustee if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Trustee shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Trustee based on the Subcontractor's failure to comply, *provided* that City has first provided Trustee with notice and an opportunity to obtain a cure of the violation.

(e) Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) Trustee shall keep itself informed of the current requirements of the HCAO.

(i) Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) Trustee shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

(k) Trustee shall allow City to inspect Trustee's job sites and have access to Trustee's employees in order to monitor and determine compliance with HCAO.

(l) City may conduct random audits of Trustee to ascertain its compliance with HCAO. Trustee agrees to cooperate with City when it conducts such audits.

(m) If Trustee is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Trustee later enters into an agreement or agreements that cause Trustee's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

22. *Prohibition on Political Activity with City Funds.* In accordance with San Francisco Administrative Code Chapter 12.G, Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "*Political Activity*") in the performance of the services provided under this Agreement. Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event Trustee violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider Trustee's use of profit as a violation of this section.

23. *Preservative-treated Wood Containing Arsenic.* Trustee may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "*preservative-treated wood containing arsenic*" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Trustee may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude Trustee from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "*saltwater immersion*" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

24. *Compliance with Laws.* Trustee shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Agreement, and must at all times comply with such

local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

25. *Protection of Private Information.* Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Trustee agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

26. *Graffiti Removal.* Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Trustee shall remove all graffiti from any real property owned or leased by Trustee in the City and County of San Francisco within forty-Ninet (48) hours of the earlier of Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require a Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "*graffiti*" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of Trustee to comply with this section of this Agreement shall constitute an Event of Default of this Agreement.

27. *Food Service Waste Reduction Requirements.* Effective June 1, 2007, Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth.

This provision is a material term of this Agreement. By entering into this Agreement, Trustee agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Trustee's failure to comply with this provision.

28. *Cooperative Drafting.* This Agreement has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Agreement reviewed and revised by legal counsel. No party shall be considered the drafter of this Agreement, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Agreement.

OFFICIAL NOTICE OF SALE

\$XXX*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS
SERIES 2013A (EQUIPMENT PROGRAM)

The City and County of San Francisco Finance Corporation will receive bids for the above-referenced Bonds by either the electronic bidding system specified on the Official Notice of Sale or written sealed bids, on the date and up to the time specified below:

SALE DATE:	Tuesday, May 14, 2013* (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	8:30 a.m. (California time)
PLACE:	1 Dr. Carlton B. Goodlett Place, Room 336 San Francisco, California 94102

Telephone, telefax or telegraph bids will not be accepted. If the Bonds are awarded by the Corporation, it is anticipated that delivery will be made on or about May 29, 2013.

* Subject to adjustment in accordance with this Official Notice of Sale.

OFFICIAL NOTICE OF SALE

§XXX*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS
SERIES 2013A (EQUIPMENT PROGRAM)

NOTICE IS HEREBY GIVEN that either electronic or written sealed all-or-nothing bids will be received, by the City and County of San Francisco Finance Corporation (the "Corporation") for the purchase of \$ **XXX*** aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) (the "Bonds").

Electronic bids must be submitted solely through Ipreo LLC's BiDCOMP™/Parity® System ("Parity"), as the only approved electronic bidding service for the Bonds, and written sealed bids must be delivered at the Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, on the date and up to the time specified below:

Tuesday, May 14, 2013 until 8:30 a.m., California time

(Subject to postponement in accordance with this Official Notice of Sale)

Bidding procedures and sale terms are as described in this Official Notice of Sale. The Bonds are described in the Preliminary Official Statement for the Bonds dated _____, 2013 (the "Preliminary Official Statement").

Each bidder choosing to submit a bid via Parity shall be solely responsible for registering to bid via Parity and for all costs, fees or other expenses incurred by the bidder in connection with the bid and/or the use of Parity. The use of Parity shall be at the bidder's risk. Each bidder expressly assumes the risk for any error contained in any bid submitted through Parity, or for failure of any bid to be transmitted or received including without limitation the risk of any incomplete or untimely bid submitted by such bidder by reason of failed or garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause. None of the Corporation, Counsel to the Corporation, the City and County of San Francisco ("City"), counsel to the City or any consultant or legal representative of the Corporation or the City, assumes any responsibility for any such error or failed or garbled transmission of any bid. The official time of receipt of bids will be determined by the City's Director of Public Finance, acting on behalf of the Corporation, and the Corporation will not be required to accept the time kept by Parity as the official time. Additional terms and conditions regarding the use of Parity are set forth below in "TERMS OF SALE — Form of Bids; Delivery of Bids."

THE RECEIPT OF BIDS ON MAY 14, 2013* MAY BE POSTPONED OR CANCELLED BY THE CORPORATION AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED THROUGH THE BOND BUYER WIRE, THOMSON FINANCIAL, OR BLOOMBERG BUSINESS NEWS (INDIVIDUALLY, A "NEWS SERVICE") AND/OR PARITY, AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. See "TERMS OF SALE — Postponement or Cancellation of Sale." Notice of the new date and time for receipt of bids shall be given through a News Service and/or Parity as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. If the sale is canceled, all written sealed bids will be returned unopened.

* Subject to adjustment in accordance with this Official Notice of Sale

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from the Financial Advisor to the Corporation: Kitahata & Company, 137 Joost Avenue, San Francisco, CA 94131 Attention: Gary R. Kitahata, Principal, 415-710-1251, email gkitahata@gmail.com and fax 415-276-3777 (the "Financial Advisor"); provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE — Postponement or Cancellation of Sale."

Other than with respect to postponement or cancellation as described above, the Corporation reserves the right to modify or amend this Official Notice of Sale in any respect; provided, however, that any such modification or amendment will be communicated to potential bidders through a News Service and/or Parity prior to the sale. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE — Right to Modify or Amend."

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system (as described in "TERMS OF SALE — Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale, or any amendment hereto, in any respect, the terms of this Official Notice of Sale and any amendment hereto shall control.

CHAPTER 1 TERMS RELATING TO THE BONDS

THE TERMS, AUTHORITY FOR EXECUTION AND DELIVERY, PURPOSES, REPAYMENT, SECURITY, FORM OF LEGAL OPINION OF BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

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

Issue. The \$XXX* aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) will be issued as fully registered bonds without coupons in book-entry form, all dated the date of delivery, which is expected to be May 29, 2013*. If the sale is postponed, notice of the new date of the sale will also set forth the new date of delivery of the Bonds.

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

Interest Rates. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing October 1, 2013 and continuing to and including their respective Maturity Date (defined below) or on prepayment prior thereto. Interest will be calculated on the basis of a 30-day month, 360-day year from the date of the Bonds. Bidders must specify the rate or

* Subject to adjustment in accordance with this Official Notice of Sale.

rates of interest which the Bonds will bear. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided that:

- (i) The maximum interest rate bid shall not exceed ten percent (10%) per annum;
- (ii) Each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum and a zero rate of interest cannot be named;
- (iii) Each Bond shall bear interest from its date to its stated maturity date at the single rate of interest specified in the bid;
- (iv) A single interest payment shall be due on each Bond on each Interest Payment Date, and no supplemental payments will be permitted; and
- (v) All Bonds maturing at any one time shall bear the same rate of interest.

Principal Payments. The Bonds shall mature on April 1 and October 1 (each a "Principal Payment Date") of each year, commencing April 1, 2014 as set forth below. Subject to adjustment as hereinafter provided, the principal amount maturing on each Principal Payment Date is as follows:

Maturity	Principal Amount*
April 1, 2014	
October 1, 2014	
April 1, 2015	
October 1, 2015	
April 1, 2016	
October 1, 2016	
April 1, 2017	
October 1, 2017	
April 1, 2018	
October 1, 2018	
April 1, 2019	

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Corporation with respect to the likely interest rates of the winning bid. **Potential bidders will be notified via a News Service and/or Parity prior to the sale of any change to the principal payment schedule for the Bonds to be utilized for the bidding process.** The Corporation reserves the right to change the principal payment schedule set forth above after the determination of the apparent winning bidder (see "TERMS OF SALE — Process of Award"), by increasing or decreasing the aggregate principal amount of the Bonds by adjusting one or more principal payments of the Bonds in increments of \$5,000, as determined in the sole discretion of the Corporation. Any such adjustment of principal payments with respect to the Bonds shall be based on the schedule of principal payments provided by the Corporation to be used as the basis of bids for the Bonds. Any such adjustment will not

* Subject to adjustment in accordance with this Official Notice of Sale.

change the average per bond dollar amount of the Purchaser's discount. See also "TERMS OF SALE — Right to Modify or Amend," regarding the Corporation's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

IN THE EVENT OF ANY SUCH ADJUSTMENT, NO REBIDDING OR RECALCULATION OF THE BIDS SUBMITTED WILL BE REQUIRED OR PERMITTED AND NO SUCCESSFUL BID MAY BE WITHDRAWN. A PURCHASER MAY NOT CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Special Redemption. The Bonds are subject to redemption at par plus accrued interest, without premium, on any date prior to their maturity, as a whole, or in part, from prepaid rental payments made by the City from the Net Proceeds of any commercial insurance, self-insurance or condemnation award with respect to the Equipment if such Net Proceeds are not used to repair, replace or restore the Equipment.

The Bonds are also subject to redemption, in part, without premium, on the first practicable date for which notice of redemption can be given, following receipt by U.S. Bank National Association, as trustee (the "Trustee"), of a Certificate of Completion, from moneys remaining in the Series 2013A Project Account and transferred to the Redemption Fund.

Municipal Bond Insurance at Bidder's Option. The Corporation has not taken any steps to qualify the Bonds for municipal bond insurance and makes no representation as to whether the Bonds will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. **In particular, neither the Corporation nor the City will amend or supplement the documents authorizing the issuance of the Bonds, the Indenture or Lease in any way, nor will either agree to enter into any additional agreement with respect to the provision of any such policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE BONDS.**

If the Purchaser exercises this option, the Purchaser must provide the Corporation with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two (2) business days following the award of the Bonds by the Corporation. The Corporation will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Bonds, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the Corporation and Squire Sanders (US) LLP ("Bond Counsel"). **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CORPORATION TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT EVENT WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

Tax Matters. Upon delivery of the Bonds, Bond Counsel will deliver its legal opinion that, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" in the Preliminary Official Statement.

Legal Opinion. A complete copy of the proposed form of the legal opinion of Bond Counsel is set forth in Appendix G to the Preliminary Official Statement. The separate legal opinion of Bond Counsel with respect to the Bonds, approving the validity of the Bonds, will be furnished, without cost, to the Purchaser upon delivery of the Bonds.

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for the Bonds must be (1) for not less than all of the Bonds hereby offered for sale, (2) for not less than 99% of the par value of the Bonds, (3) unconditional and (4) submitted **either** (a) by written sealed bid on the Official Bid Form attached hereto as Exhibit B (the "Official Bid Form") and signed by a duly authorized signatory of the bidder, **or** (b) via Parity. No telephone, telefax, or telegraph bids will be accepted or considered.

If a bidder chooses to submit its bid as a written sealed bid, written sealed bids must be enclosed in a sealed envelope and delivered to the Corporation c/o Angela Whittaker of the Office of Public Finance of the City and County of San Francisco at the address set front on the cover of this Official Notice of Sale and clearly marked "Bid for the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program)" or words of similar import.

No bid will be accepted after the time specified for receiving bids.

If a bidder chooses to submit its bids via Parity, such bidder must follow the instructions under "— Use of Parity."

To the extent any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact the Financial Advisor or Parity, phone: (212) 849-5021. Bids may include a premium on the par value of the Bonds. No bid submitted to the Corporation is subject to withdrawal or modification by the bidder. **All bids will be deemed to incorporate and be subject to all of the terms of this Official Notice of Sale. The Corporation retains absolute discretion to determine whether any bid, whether written sealed or electronic, is timely and complete and conforms to this Official Notice of Sale. The Corporation takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete or nonconforming with this Official Notice of Sale or has not been received.**

Use of Parity: The use of Parity shall be at the bidder's option and risk and each bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through a News Service and/or Parity, will control; (2) each bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the Corporation will not have any duty or obligation to provide or assure access to Parity to any bidder, nor will the Corporation be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid; (4) the Corporation is permitting the use of Parity as a communication mechanism, and not as an agent of the Corporation, to facilitate the submission of electronic bids for the Bonds; and Parity is acting as an independent contractor, and is not acting for or on behalf of the Corporation; (5) the Corporation is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) is the bidder's binding offer to purchase the Bonds; and (7) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Corporation unless that information is included in this Official Notice of Sale.

Process of Award. The Corporation will take final action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

There are five (5) steps in the Corporation's process which results in a final award. These 5 steps are:

- (1) the Financial Advisor, on behalf of the Corporation, will give a verbal notice of award to the apparent winning bidder (the "Apparent Winning Bidder") to be determined as described below under "- Basis of Award;"
- (2) the Financial Advisor will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Bonds, after adjustments, if any, are made, as described above under "TERMS RELATING TO THE BONDS — Adjustment of Principal Payments;"
- (3) if the Apparent Winning Bidder submitted its bid via Parity, such Apparent Winning Bidder shall, promptly after verbal award, but no later than one hour after the award, fax to the Corporation (in c/o its Financial Advisor at 415-276-3777 or email gkitahata@gmail.com, to the City's Director of Public Finance at 415-554-4864 and to Patricia Gump, Esq. at fax 415-393-9887 or email patricia.gump@squiresanders.com) the executed and completed Official Bid Form (attached hereto as Exhibit B), executed on the Bidder's behalf by duly authorized signatory which shall state under "Yield or Price" the initial reoffering prices at which it has offered all of the Bonds of each maturity to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) in a bona fide public offering;
- (4) the Apparent Winning Bidder shall provide the Good Faith Deposit by wire transfer, as described below under "- Good Faith Deposit;" and
- (5) the Corporation will fax to the Apparent Winning Bidder its written final award.

Upon completion of all 5 steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Bonds and will be bound by the terms of the contract to purchase the Bonds, which contract shall consist of: (a) this Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity; (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATED TO THE BONDS — Adjustment of Principal Payment;" and (d) the Official Bid Form; provided, however, in case of any inconsistencies between the information in the bid as transmitted electronically by the Apparent Winning Bidder through Parity and the Official Bid Form subsequently submitted by such Apparent Winning Bidder, the data submitted electronically through Parity shall control.

The price and yield set forth in the Official Bid Form will, at the discretion of the Corporation, be reflected in the Official Statement and the Purchaser will be required to certify as to the accuracy of such information. See "CLOSING PROCEDURES AND DOCUMENTS — Purchaser Certificate Concerning Official Statement."

Basis of Award. Unless all bids are rejected, the Bonds will be awarded by the Corporation to the responsible bidder whose bid, as transmitted electronically through Parity or as submitted on the Official Bid Form, represents the lowest true interest cost ("TIC") to the Corporation, taking into account the interest rate or rates and the discount or premium, if any, specified in the bid. The TIC will be that nominal annual interest rate which, when compounded semiannually and used to discount to the dated date of the Bonds all payments of principal and interest on the Bonds, results in an amount equal to the purchase price of such Bonds to be received by the Corporation. In the event that two or more bidders offer bids for the Bonds at the same lowest TIC, the Corporation will determine by lot which bidder will be awarded such Bonds. Bid evaluations or rankings made by Parity are not binding on the Corporation.

Estimate of True Interest Cost. Each bidder is requested, but not required, to state in its bid the amount of interest on the Bonds during the life of the issue and the percentage TIC to the Corporation (determined

as described under “-Basis of Award”), which estimate will be considered as informative only and not binding on either the bidder or the Corporation.

Multiple Bids. In the event multiple bids are received from a single bidder the Corporation will have the right to accept the bid representing the lowest TIC to the Corporation, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the Corporation.

Good Faith Deposit. To secure the Corporation from any loss resulting from the failure of the Purchaser to comply with the terms of its bid, a good faith deposit in the amount of \$100,000 (the “Good Faith Deposit”) must be provided by the Apparent Winning Bidder.

Upon the determination by the Corporation of the Apparent Winning Bidder of the Bonds (see “— Process of Award”), the Financial Advisor will request the Apparent Winning Bidder to (a) immediately wire the Good Faith Deposit, as described below, and (b) provide, within ninety (90) minutes of such request by the Financial Advisor, the Federal wire reference number of such Good Faith Deposit to the Financial Advisor (fax 415-276-3777 or email gkitahata@gmail.com) and to Angela Whittaker, telephone: (415) 554-6643 or fax: (415) 554-4864. The wire transfer is to be made to U.S. Bank National Association, ABA: 091000022, 60 Livingston Avenue, St. Paul, Minnesota 55107, for credit to the City and County of San Francisco Finance Corporation, Account No. 180121167365.

In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit as required, or does not provide the Federal wire reference number confirming the wire-transfer of such Good Faith Deposit to Financial Advisor and Angela Whittaker, within the time specified above, the Corporation may reject the bid of the Apparent Winning Bidder and may award the Bonds to a responsible bidder that submitted a confirming bid that represents the next lowest TIC to the Corporation.

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

If the purchase price is not paid in full upon tender of the Bonds, the Corporation shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit. The Purchaser will have no right to recover such Deposit, except pursuant to the right of cancellation. See “CLOSING PROCEDURES AND DOCUMENTS — Right of Cancellation.” In the event of nonpayment for the Bonds by a Purchaser, the Corporation reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the Corporation.

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

On the day prior to delivery of the Bonds, the Purchaser shall provide to the Corporation (in c/o of the Financial Advisor at email: gkitahata@gmail.com or fax 415-276-3777) and Squire Sanders (US) LLP, Attention: Patricia Gump, Esq.; (at fax 415-393-9887 or email patricia.gump@squiresanders.com), a Reoffering Price Certificate in the form attached hereto as Exhibit C, which shall be dated the date of the closing and be in a form and substance acceptable to, and include such additional information as may be requested by, Bond Counsel including information necessary to complete IRS form 8038G and information regarding its sales of the Bonds as of the date of closing. For the purposes of this paragraph, sales of the Bonds to other securities brokers or dealers will not be considered sales to the general public.

The Corporation, Bond Counsel and the City will rely on the Purchaser’s certification of the initial public offering prices in determining the arbitrage yield on the Bonds.

Right of Rejection and Waiver of Irregularity. The Corporation reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid.

Right to Modify or Amend. The Corporation reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through a News Service and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The Corporation may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation will be given through a News Service and/or Parity as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through a News Service and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date that bids are to be received. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice. In the event of a postponement of the sale only, any subsequent bid submitted by a bidder will supersede any prior bid made.

CHAPTER 2 CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Bonds, in the form of one bond certificate for each maturity, will be made to the Purchaser through the facilities of DTC in New York, New York, or through the facilities of the Trustee via FAST transfer, and is presently expected to take place on May 29, 2013*. Payment for the Bonds (including any premium) must be made at the time of delivery by wire transfer in funds immediately available in San Francisco. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The costs of preparing the Bonds will be borne by the Corporation. The Corporation will deliver to the Purchaser, dated as of the delivery date, the legal opinion of Bond Counsel in the form set forth in APPENDIX G — “PROPOSED FORM OF BOND COUNSEL OPINION” to the Preliminary Official Statement, subject to changes, as set forth in “TAX MATTERS” in the Preliminary Official Statement.

Qualification for Sale; Blue Sky. The Corporation will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Corporation may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however*, that the Corporation will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. **The Purchaser will not sell, offer to sell or solicit any offer to buy, the Bonds in any jurisdiction where it is unlawful for such Purchaser to make such sale, offer or solicitation, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells the Bonds.**

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

No Litigation. Counsel to the Corporation will deliver an opinion stating that no litigation is pending (with service of process having been accomplished), or, to the knowledge of such Counsel, threatened, concerning the validity of the Indenture, the Lease (as defined in the Preliminary Official Statement) or the Bonds, the corporate existence of the Corporation, or the title to their respective offices of the officers of the Corporation who will execute the Bonds, the Indenture and the Lease.

* Subject to adjustment in accordance with this Official Notice of Sale.

CUSIP Numbers and other fees. It is anticipated that CUSIP numbers will be printed on the Bonds and in the Official Statement, but neither the failure to print such numbers on any Bonds or the Official Statement nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The Corporation will not take any responsibility for the accuracy of such numbers.

The expenses associated with printing CUSIP numbers on the Bonds will be paid by the Corporation, however, the CUSIP Service Bureau charge for the assignment of said CUSIP numbers will be paid by the Purchaser. The Purchaser will also be required to pay all fees required by DTC; Securities Industry and Financial Markets Association, Municipal Securities Rulemaking Board, and other similar entity imposing a fee in connection with the issuance of the Bonds (including the California Debt and Investment Advisory Commission as described below).

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

Official Statement. Copies of the Preliminary Official Statement will be available electronically at www.i-dealprospectus.com or will be furnished to any interested bidder upon request to the Financial Advisor. The contact information for the Financial Advisor is set forth on page one of this Official Notice of Sale. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the Corporation and the City have deemed such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 25) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. Upon the request of the Purchaser made within two (2) days of the award of the Bonds, the Corporation will supply additional copies of the Official Statement at the expense of the Purchaser.

By submitting a bid for the Bonds, each bidder agrees, if awarded the Bonds, (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the Corporation, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12, and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each investor who purchases Bonds.

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

City Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an officer of the Corporation and the Controller of the City, confirming to the Purchaser that, to the best knowledge of said officers, the Official Statement relating to the Bonds (excluding information regarding underwriting, the initial reoffering price of the Bonds, the policy of municipal bond insurance and the provider thereof, if any, and DTC and its book-entry system, as to which no view will be expressed), as of the date thereof and as of the date of delivery thereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser of the Bonds will be required to execute and deliver to the Corporation, prior to the date of closing, a certificate to the following effect:

- (i) The Purchaser has provided to the Corporation the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown;
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the Corporation of the need to modify or supplement the final Official Statement; and
- (iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist the Purchaser in complying with paragraph (b)(5) of Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Equal Opportunity. Pursuant to the spirit and intent of the Corporation's Local Business Enterprise ("LBE") Ordinance, Chapter 14B of the Administrative Code of the Corporation, the Corporation strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, 8th Floor, San Francisco, California; phone: (415) 252-2500.

Dated: May __, 2013

EXHIBIT A

CERTIFICATE OF BOND INSURER

The undersigned, the duly authorized and acting _____ of _____ (the "Bond Insurer"), hereby certifies on behalf of the Bond Insurer as follows:

1. The statements contained in the Official Statement dated _____, 2013 (the "Official Statement"), relating to the \$_____ City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) (the "Bonds"), provided by the Insurer for use under the captions _____, which statements constitute descriptions or summaries of the municipal bond insurance policy (the "Policy") of the Bond Insurer covering the Bonds, the Bond Insurer, and financial information concerning the Bond Insurer, accurately reflect and fairly present the information set forth therein, and do 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 are made, not misleading; and

2. The form of Policy set forth in Appendix ___ of the Official Statement is a true and complete copy of the Policy (except for omissions therefrom of particulars relating to the Bonds).

[NAME OF BOND INSURER]

By: _____ Title: _____

Phone: _____

Date: [Date of Delivery]

EXHIBIT B

**OFFICIAL BID FORM FOR THE PURCHASE OF
\$XXX*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS
SERIES 2013A (EQUIPMENT PROGRAM)**

BIDDING FIRM'S NAME: _____

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

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated May ____, 2013 (the "Official Notice of Sale"), which is incorporated herein and made a part of this proposal, we have reviewed a Preliminary Official Statement relating to the above-referenced Bonds and hereby offer to purchase all of the Bonds described in the Official Notice of Sale on the terms specified in the Official Notice of Sale and at a price of \$_____, which is equal to the par value of the Bonds, less an underwriters' discount of \$_____ and (complete one), less a net discount of \$_____ or plus a net premium of \$_____.

MATURITY SCHEDULE

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price**</u>
April 1, 2014			
October 1, 2014			
April 1, 2015			
October 1, 2015			
April 1, 2016			
October 1, 2016			
April 1, 2017			
October 1, 2017			
April 1, 2018			
October 1, 2018			
April 1, 2019			

Exhibit B-1

_____ TIC (optional and not binding): _____ %
_____ Bond Insurer, if any: _____
Authorized Signatory _____ Maturities Insured: _____
Phone Number: _____ Bond Insurance Premium: _____
Fax Number: _____

THE CORPORATION RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS
TIMELY, LEGIBLE AND COMPLETE AND CONFORMS TO THE OFFICIAL NOTICE OF SALE.

* Subject to adjustment in accordance with Official Notice of Sale

** Yield or Price is the initial offering price at which it has offered all of the Bonds of each maturity to the general public
(excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers), in a bona fide
public offering.

EXHIBIT C

FORM OF REOFFERING PRICE CERTIFICATE

*(To be delivered and completed by the Purchaser of the Bonds, as described under
"TERMS OF SALE - Reoffering Price Certificate" in the Official Notice of Sale)*

This Certificate is being delivered by [insert name], the purchaser (the "Purchaser"), in connection with its purchase of the \$XXX* aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2013A (Equipment Program) (the "Bonds"). The Purchaser hereby certifies and represents the following:

A. Issue Price.

1. All the Bonds of all maturities were actually offered by the Purchaser to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide offering at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule I attached hereto, which the Purchaser believes is not more than the fair market value of each maturity as of May 14, 2013*, the date of sale of the Bonds.

2. On the date of the sale of the Bonds, the Purchaser sold or reasonably expected to sell to the public (excluding bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at least ten percent (10%) of each maturity of the Bonds at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule I attached hereto.

3. As of the date hereof, neither the Purchaser nor any affiliate of the Purchaser has participated in offering any derivative product with respect to the Bonds.

B. Compensation.

All compensation received by the Purchaser for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Bonds will be paid in the form of a purchase discount in the amount of \$_____, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Bonds.

C. Insurance.

The present value of the fee paid for the municipal bond insurance policy (the "Policy") (using as a discount rate the expected yield on the Bonds treating the fee paid as interest on the Bonds) is less than the present value of the interest reasonably expected to be saved on the Bonds over the term of the Bonds as a result of the Policy. The fee paid for the Policy does not exceed a reasonable, arm's-length charge for the transfer of credit risk. The fee does not include any payment for any direct or indirect services other than the transfer of credit risk.

The absence of the Policy would have affected in an adverse manner the interest rates of yields at which the Bonds were sold.

* Subject to adjustment in accordance with Official Notice of Sale

The signer is an authorized representative of the Purchaser and is duly authorized by the Purchaser to execute and deliver this Certificate on behalf of the Purchaser. The Purchaser understands that the representations contained in this Certificate will be relied on by the City and County of San Francisco Finance Corporation in making certain of its representations in its Tax Certificate for the Bonds and in completing and filing the Information Return for the Bonds with the Internal Revenue Service, and by Squire Sanders (US) LLP, Bond Counsel to the City and County of San Francisco Finance Corporation, in rendering certain legal opinions in connection with the issuance of the Bonds.

Dated: _____

By: _____
(Name of Purchaser)

Execution by: _____

Type Name: _____

Title: _____

SCHEDULE I
TO
CERTIFICATE OF PURCHASER

**Re: \$XXX* City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2013A (Equipment Program)**

<u>Maturity</u>	<u>Principal Amount*</u>	<u>Interest Rate⁺</u>	<u>Offering Price or Yield⁺</u>
April 1, 2014			
October 1, 2014			
April 1, 2015			
October 1, 2015			
April 1, 2016			
October 1, 2016			
<hr/>			
April 1, 2017			
October 1, 2017			
April 1, 2018			
October 1, 2018			
April 1, 2019			

* Subject to adjustment in accordance with Official Notice of Sale

+ To be completed by Purchaser

NOTICE OF INTENTION TO SELL

\$ _____*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE BONDS, SERIES 2013A (EQUIPMENT PROGRAM)

NOTICE IS HEREBY GIVEN that the City and County of San Francisco Finance Corporation (the "Corporation") intends to offer for public sale the above-captioned Bonds on

Tuesday, May 14, 2013, at 8:30 a.m. (California time)

by either electronic bids solely through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") or written sealed bids at the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, California 94102.

The Corporation reserves the right to postpone or cancel the sale of the Bonds or change the terms thereof upon notice given through any of Bond Buyer Wire, Thomson Financial or Bloomberg Business News (individually, a "News Service") and/or Parity. In the event that no bid is awarded for the Bonds, the Corporation will reschedule such sale to another date or time by providing notification through a News Service and/or Parity.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale. Copies of the Preliminary Official Statement and the Official Notice of Sale relating to the Bonds may be obtained from the Corporation's Financial Advisor: Kitahata & Company, 137 Joost Avenue, San Francisco, CA 94131 Attention: Gary R. Kitahata, Principal, phone: 415-710-1251 or email: gkitahata@gmail.com. The Preliminary Official Statement and the Official Notice of Sale for the Bonds will be posted electronically at Ipreo Prospectus www.i-dealprospectus.com on or around May 1, 2013. Failure of any bidder to receive such Preliminary Official Statement and Official Notice of Sale shall not affect the legality of the sale.

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

Dated: April 29, 2013

* Preliminary, subject to change.

UAL Contract

No. 27000-1

UNITED AIR LINES

CITY AND COUNTY OF SAN FRANCISCO

DIANNE FEINSTEIN, MAYOR

MAINTENANCE BASE

LEASE MODIFICATION AGREEMENT

BETWEEN THE

CITY AND COUNTY OF SAN FRANCISCO

AND

UNITED AIR LINES, INC.

AIRPORTS COMMISSION

Morris Bernstein, President

William K. Coblentz, Vice President

Ruth S. Kadish

Z. L. Goosby

J. Edward Fleishell

Richard A. Heath

Director of Airports

UAL Contract
No. 27000 #1

CITY AND COUNTY OF SAN FRANCISCO
JOSEPH L. ALIOTO, MAYOR

UNITED'S COPY

UNITED AIR LINES
MAINTENANCE BASE LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT

A I R P O R T S C O M M I S S I O N

William E. McDonnell, President

John A. Sutro, Vice President

William K. Coblentz - Commissioner
Wallace R. Lynn - Commissioner
Joseph P. Mazzola - Commissioner

William J. Dwyer
Director of Airports

My attention is drawn to the fact that the above information is correct as of the date of this report.

I N D E X

<u>Section No.</u>		<u>Page</u>
1	Extent of Leasehold	1
2	Term	7
3	Rental	7
4	Other Leases, Etc., Not Affected	9
5	Utilities	9
6	Sewers and Drains	11
7	Roads and Taxiways	12
8	Ingress and Egress	12
9	Rights of Way	13
10	Construction by Lessee	13
11	Fire Insurance	15
12	Removable Property and Equipment	17
13	Regulations of City	17
14	Lessee's Associated and Affiliated Companies	17
15	Assignment, Subletting and Hypothecation	18
16	Cancellation by City	20
17	Cancellation by Lessee	20
18	No Waiver of Subsequent Breaches or Defaults	21
19	Inspection by City	21
20	Taxes	21
21	Bankruptcy or Reorganization Proceedings	22
22	Indemnity	22
23	Faithful Performance Bond	23
24	Public Liability and Property Damage Insurance	23
25	Lease Made in California	25
26	Subordination to Sponsor's Assurance Agreement	25
27	Applicability of Charter Provisions	25
28	Prevention of Trespass	25
29	Prevention of Nuisances or Hazards	25
30	Advertising Signs	25
31	Notices	26
32	Section Headings	26
33	Conflict of Interest	26
34	Declaration re Airport Private Roads	26
35	Nondiscrimination	27
36	Operation and Maintenance of Airport	28
37	Cancellation of Existing Leaseholds; Title to Existing Lessee Improvements	29
38	Separability	30
39	Nondiscriminatory Employment Practices	30
40	Time	30

GROUND LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT

THIS INDENTURE OF LEASE, made and entered into this 18th
day of June, 1973, by and between the CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation (hereinafter referred to as
"City"), acting by and through its Airports Commission (hereinafter
referred to as "Commission"), Lessor, and UNITED AIR LINES, INC., a
corporation (hereinafter referred to as "Lessee"), Lessee,

W I T N E S S E T H:

WHEREAS, City owns and operates the San Francisco International
Airport (hereinafter referred to as the "Airport"), located in the
County of San Mateo, State of California, the Director of Airports
of said Commission being hereinafter referred to as "Director"; and

WHEREAS, Lessee is engaged in the business of air transporta-
tion; and

WHEREAS, the City and Lessee mutually desire to enter into this
indenture of lease of a portion of the lands of said Airport and
certain improvements thereon under the terms and conditions herein-
after set forth:

NOW, THEREFORE, it is hereby mutually agreed as follows:

1. EXTENT OF LEASEHOLD

For and in consideration of the rents herein reserved, and the
agreements, covenants and terms to be performed on the part of Lessee,
City hereby leases to Lessee, and Lessee hereby hires and takes from
City, that land at the Airport described as follows and which is
hereinafter referred to as the "demised premises":

Those two certain parcels of real property situate in the County
of San Mateo, State of California, and particularly described as
follows:

PARCEL 1

Commencing at the section corner common to Sections 27,
28, 33 and 34, T.3S., R.5W; MDB & M; thence along the
section line common to sections 27 and 34 East 1,679.58
feet; thence North 953.36 feet to a point in the south-
westerly property line of property owned by the City and
County of San Francisco at San Francisco International

NOTE -
BUILDING 26
APPROVED BY
COMMISSION FOR
#73-0214
OCT 2, 1973

Airport, said point being the intersection of a line parallel to and distant 953.36 feet at right angles North from the section line between said sections 27 and 34, which section line bears due east and west, and a line parallel to and distant 62.50 feet measured at right angles northeasterly from the centerline of the original Bayshore Highway as relinquished by the State of California to the City of South San Francisco by instrument dated January 27, 1948, and recorded February 10, 1948, Volume 1450, Official Records of San Mateo County, at page 190, said point being the true point of beginning of this description; thence North $64^{\circ}31'44''$ East 154.96 feet; thence East 682.24 feet; thence North $66^{\circ}45'44''$ East 431.61 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 458.00 feet, a central angle of $26^{\circ}34'13''$, and an arc length of 212.39 feet; thence South $86^{\circ}40'03''$ East 110.00 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 458.00 feet, central angle of $23^{\circ}58'49''$, and arc length of 191.69 feet; thence along a line parallel to and 150.00 feet measured at right angles south of the present northerly property line of San Francisco International Airport East 987.70 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 50.00 feet, a central angle of $82^{\circ}34'30''$, and arc length of 72.06 feet; thence South $7^{\circ}25'30''$ East 233.51 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 980.00 feet, central angle of $7^{\circ}25'30''$, and arc length of 127.00 feet to the end of curve; thence South 432.81 feet; thence West 706.47 feet; thence South $23^{\circ}14'16''$ East 430.32 feet; thence South $79^{\circ}26'25''$ East 120.34 feet; thence South $23^{\circ}14'16''$ East 298.96 feet; thence along the arc of a circular curve to the left, the center of said curve being South $27^{\circ}57'25''$ East 365.00 feet from the end of the preceding course, said curve having a radius of 365.00 feet, central angle of $85^{\circ}16'51''$, and an arc length of 543.28 feet; thence South $23^{\circ}14'16''$ East 318.66 feet; thence South $66^{\circ}45'44''$ West 1217.53 feet; thence North $62^{\circ}09'55''$ West 334.22 feet; thence along a line parallel to and distant 30.00 feet northeasterly measured at right angles from the centerline of the former Bayshore Highway as described in that deed from Mills Estate, Incorporated, a corporation, to the State of California, recorded August 8, 1925 in Volume 180, page 149, Official Records of San Mateo County, North $23^{\circ}14'16''$ West 1250.93 feet; thence along the arc of a circular curve to the left, said curve being distant 30.00 feet northeasterly measured radially from the centerline of said former Bayshore Highway, tangent to the preceding course, having a radius of 10,030.00 feet, a central angle of $1^{\circ}49'15''$ and an arc length of 318.75 feet, to a point in the section line common to Sections 27 and 34, T.3S, R.5W., MDB & M, thence along said section line East 35.86 feet; thence along the arc of a circular curve to the left, said curve being distant radially 62.50 feet northeasterly from the centerline of said former Bayshore Highway, the center of said curve being South $65^{\circ}01'40''$ West 10,062.50 feet from the end of the preceding course and said curve having a radius of 10,062.50 feet, a central angle of $0^{\circ}29'56''$, and an arc length of 87.62 feet; thence North $25^{\circ}28'16''$ West 968.18 feet to the true point of beginning; containing therein 115.23 acres, more or less, subject to the following listed recorded rights of way and easements and any other existing rights of way and easements thereon;

RECORDED RIGHTS OF WAY AND EASEMENTS

Easement for highway purposes (125 feet wide) as granted by Mills Estate, Inc., to State of California, dated October 25, 1924 and recorded August 8, 1925 in Book 180 of Official Records of San Mateo County at page 149. Affects that portion of former Bayshore Highway within Section 34, Township 3 South, Range 5 West.

That portion of the former Bayshore Highway lying South of the North line of Section 34, and Northwesterly of the Northeasterly extension of the Southeasterly line of San Bruno Avenue was relinquished to the County of San Mateo, by Instrument dated January 26, 1948 and recorded February 10, 1948 in Book 1447 of Official Records of San Mateo County at page 341, and the portion Southeasterly of San Bruno Avenue was abandoned by Instrument dated January 26, 1948 and recorded February 10, 1948 in Book 1450 of Official Records of San Mateo County at page 193.

Grant of Right of Way for highway purposes over a strip of land 125 feet wide, by South San Francisco Land and Improvement Company, to State of California, dated October 11, 1926 and recorded December 2, 1926 in Book 267 of Official Records of San Mateo County at page 348.

Affects former Bayshore Highway within Tide land lot 28, Section 27, Township 3 South, Range 5 West.

Instrument dated January 27, 1948 and recorded February 10, 1948 in Book 1450 of Official Records of San Mateo County at page 190, whereby the State of California relinquished to City of South San Francisco the above mentioned Right of Way.

Right of Way for road and utility purposes over a strip of land 60 feet wide near the north line of Section 34, extending Easterly from the Easterly line of the former Bayshore Highway, as granted by the City and County of San Francisco, a municipal corporation, to The United States of America, the first dated September 23, 1943 and recorded September 28, 1943 in Book 1097 of Official Records of San Mateo County at page 9, and the second dated November 8, 1943 and recorded April 11, 1944 in Book 1112 of Official Records of San Mateo County at page 165.

Effect of "Quitclaim Deed" by the United States of America to City and County of San Francisco dated January 16, 1952 and recorded on May 25, 1954 in Volume 2587, Official Records of San Mateo County, at page 456.

Covenants, conditions and reservations, as contained in the Deed from United States of America, acting by and through War Assets Administration, to City and County of San Francisco, dated June 13, 1947 and recorded July 15, 1947 in Book 1351 of Official Records of San Mateo County at page 273.

Said Deed provides for a reversion of title upon breach of conditions therein.

Affects Northerly portion of the herein described property lying East of Bayshore Highway.

Reservation in the United States of all fissionable materials, together with the right to enter upon the lands and prospect for, mine and remove such materials, in accordance with the requirements of Executive Order No. 9701 of the President.

Affects Northerly portion of the herein described property lying East of Bayshore Highway.

Right to locate, use and maintain electric transmission line and gas mains across the unimproved lands of grantor, as granted by South San Francisco Land & Improvement Company, a corporation, to Pacific Gas & Electric Company, a corporation, by Deed dated March 4, 1912 and recorded March 6, 1912

in Book 206 of Deeds at page 487, Records of San Mateo County.

By Instrument dated April 30, 1925 and recorded February 26, 1926 in Book 197 of Official Records of San Mateo County at page 467, Pacific Gas and Electric Company quitclaimed to South San Francisco Land & Improvement Company, all rights acquired by the first above mentioned Deed, except as to any lines then located and in use, the location of which are not established of record.

Affects Southerly portion of Section 27, Township 3 South, Range 5 West.

Right of Way 60 feet in width granted to United States of America by Instrument dated January 16, 1952, and filed for record on May 25, 1954 in Volume 2587, Official Records of San Mateo County, at page 464.

should be Dec. 16 1951

*NOTE:
on Jan 16 1952
U.S. quitclaim
R/W P. Co.
Recorded May
25 1954 - Vol.
2587 page 456*

PARCEL 2

COMMENCING at the intersection of the centerlines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, District IV, as shown on Sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said centerline of San Bruno Avenue North 65°42'14" East 953.24 feet to a point on the easterly right of way line of the Bayshore Freeway, said point being distant along said right of way line South 24°17'46" East 52 feet from a California Highway Commission concrete monument; thence continuing along said centerline of San Bruno Avenue North 65°42'14" East 595.80 feet; thence North 24°17'46" West 45.00 feet to the true point of beginning of this description; thence North 24°17'46" West 45.00 feet; thence South 65°42'14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90°, an arc distance of 54.98 feet; thence North 24°17'46" West 1175.95 feet; thence North 25°28'16" West 561.61 feet; thence North 64°31'44" East 330.01 feet to a point on the southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land Lot No. 28, Section 27, T.3S., R.5W., MDB & M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926 and recorded December 2, 1926 in Book 267, Official Records of San Mateo County, at page 348, and that portion of said right of way within Section 34 northeasterly of San Bruno Avenue being as described in that Easement from Mills Estate, Inc., to State of California dated October 23, 1924 and recorded August 8, 1925 in Book 180, Official Records of San Mateo County, at page 149; thence along said right of way line South 25°28'16" East 968.18 feet; thence continuing southeasterly along said right of way line on a curve to the right, tangent to the preceding course, radius 9,937.50 feet, central angle of 2°14', an arc distance of 387.35 feet; thence continuing along said right of way line South 23°14'16" East 468.98' to a point which is distant 45.00 feet and bears North 24°17'46" West from the center line of San Bruno Avenue; thence southwesterly parallel to and 45.00 feet from said centerline of San Bruno Avenue South 65°42'14" West 168.00 feet to said true point of beginning, containing 13.79 acres more or less; *→ less 0.89 acres per Res. 80-0066 eff 7/1/80 = 12.9 acres*

*of Modification
Res. 80-0066
9/18/80*

Reserving to City therefrom a ten-foot strip of land for utility purposes, containing an area of 0.21 acres, more or less, as shown on Airports Commission Drawing No. CA-13799.

together with all buildings, structures, and improvements thereon of whatsoever kind or nature, all of which lands and improvements are referred to herein as the "demised premises" and are identified by Airport Drawing No. CA-13799, dated August 28, 1972, Revision 2 thereof, dated November 9, 1972, attached hereto marked Exhibit "A" and made a part hereof, for the exclusive use of Lessee, but subject to the reservations set forth herein, together with rights of way incidental, appurtenant or related to the use and enjoyment of said demised premises, which rights of way Lessee shall have the right to use and enjoy as hereinafter provided, all of which are to be used for any and all purposes in any way connected with, related or incidental to Lessee's present or future air transportation operations and activities, including without limiting the generalities hereof, at Lessee's election, the construction and operation of aircraft maintenance hangar, test and storage facilities; the operation of management, administration, accounting, computer and supervisory offices and facilities; parking, turning, taxiing, loading, unloading (with the words "loading" and "unloading" modified hereinafter), maintaining, servicing, fueling, conditioning, overhauling, repairing, assembling, fabricating, modifying, constructing, housing, washing, storing, air conditioning, leasing, sale, and testing of aircraft and related equipment, mechanisms, devices, appliances, supplies, parts and accessories of all kinds, including mobile ground vehicles and other ground equipment used or useful in Lessee's air transport business; the receiving, storing, loading, unloading and delivery of personal property, cargo and mail; the maintenance, conduct and operation of facilities for feeding employees and guests of Lessee, including the operation of vending machines for dispensing food, beverages or cigarettes on the demised premises; the operation of facilities for the preparation or processing of in-flight meals for Lessee's and United States government passengers; the training of flight and ground personnel and students; vehicular parking for Lessee and its officers, employees, agents, passengers, guests, business visitors, suppliers of material and furnishers of service; installing and maintaining turbine fuel gasoline, oil or other fuel storage facilities and pipe lines or other

facilities to or from said storage facilities to any other area on the herein demised premises for the purpose of receiving and distributing said turbine fuel, gasoline, oil or other fuels; and the providing of maintenance and other services to others. The provisions of this section shall not be construed to authorize Lessee to conduct a separate business or businesses at the Airport but shall relate only to Lessee's air transportation operations and activities and uses and purposes in connection therewith or incidental or related thereto; provided, however, Lessee shall not be considered to be conducting such a separate business in those instances where Lessee utilizes, other than on a continuing long-term basis, improvements or equipment erected or installed on said demised premises by Lessee for the purposes of Lessee's air transportation operations to perform services for others to the extent said improvements or equipment are not required for Lessee's own operations. The provisions of this section authorizing loading or unloading do not permit Lessee to load or unload fare-paying passengers, revenue mail or cargo on the demised premises, except in the event of emergency; and except further that in the case of loading and unloading of revenue cargo and mail Lessee may do so on the demised premises when necessary to its operation due to inadequacy of other facilities on the Airport or when aircraft on which revenue cargo or mail is to be loaded or unloaded are on the demised premises for purposes other than loading or unloading revenue cargo or mail. In nonemergency situations Director may in writing, and conditionally, consent in advance to such loading or unloading on the demised premises. Lessee shall not conduct its regular handling, loading and unloading of revenue cargo or mail, or conduct a revenue cargo or mail facility on the demised premises.

Exclusiveness of use shall apply only to the demised premises and shall be subject to the provisions of Section 8 hereinafter. Subject to payment of the sums required by the schedule of landing fees, rates and charges now in effect or as hereafter established, revised, altered or amended, or as may be required by applicable contracts in effect between City and Lessee, and subject to the

Rules and Regulations promulgated for said Airport now in effect or as hereafter established or revised, Lessee shall have the right of access to and use of facilities at the Airport designed for common use, such as landing area, aprons, taxiways, flood light, landing lights, beacons, signals, radio aids, tower communication, public address system, and other common use facilities supplied by City for convenience and accommodation in operation, landings and takeoff of aircraft. The rights herein extended to Lessee shall be inclusive of the rights to land, takeoff, tow, load or unload aircraft.

Except as otherwise provided herein, and if Lessee is not in default of the terms of this lease, Lessee shall have the use of and enjoy the quiet and peaceful possession of the demised premises.

2. TERM

The original term of this lease shall commence July 1, 1973, and shall continue thereafter to and including the twentieth (20th) anniversary of such date unless terminated as provided herein; and, in addition to the original term, Lessee is hereby granted two (2) consecutive options to extend said term, each option being to extend the original term for a period of ten (10) years subject to the terms and conditions herein provided. Lessee, in exercising said option or options, shall notify Commission thereof in writing not later than ninety (90) days prior to the termination of said original term, or prior to the termination of any subsequent extension period, as the case may be. This Indenture of Lease shall become effective only upon the condition that it and the Landing Fees Agreement between City and Lessee (therein called Airline) shall have received all necessary approvals prior to July 1, 1973, so that the terms thereof shall commence July 1, 1973; in the absence of such approvals this Indenture of Lease and all of its provisions shall be null and void.

3. RENTAL

Lessee hereby covenants and agrees to pay to City as annual rental for the use of the demised premises, including said incidental, appurtenant and related rights of way:

(a) For each year of the period commencing on the aforesaid commencement date and ending on the day immediately preceding

the tenth (10th) anniversary of said commencement date, the sum of Five Hundred Sixty-One Thousand Two Hundred and Thirty-Seven Dollars (\$561,237.00) being at the rate of Four Thousand Three Hundred and Fifty Dollars (\$4,350.00) per acre per annum.

(b) For each year of the next ten (10) years commencing on the tenth (10th) anniversary of said commencement date, the ground rental as fixed and determined by Commission, acting upon the recommendation of City's Director of Property, following a reappraisal of the demised land only, which rental shall be reasonable; prior to making such recommendation to the Commission, said Director of Property shall meet with Lessee to consider any data Lessee may wish to submit to him and to disclose all factors forming the basis of his recommendation. Said reappraisal shall consider all elements of value affecting fair market value including, but not limited to, such factors as: possessory interest and real property taxes, land use restrictions of the Airport Master Plan, structure height and placement limitations imposed by Federal Aviation Administration and Civil Aeronautics Board regulations.

(c) For each year of the next ten (10) years, commencing on the twentieth (20th) anniversary of said commencement date, the sum mutually agreed by Commission and Lessee, and Commission covenants and agrees to negotiate with Lessee as to the annual reasonable land rental only, and Commission, by resolution, shall extend the original term as extended for a period of ten (10) years, subject to said agreed rental.

(d) For each year of the next ten (10) years, commencing on the thirtieth (30th) anniversary of said commencement date (in the event that Lessee shall have exercised its first aforesaid option), the sum mutually agreed by Commission and Lessee, and Commission hereby covenants and agrees to negotiate with Lessee as to the annual reasonable land rental only, and Commission, by resolution, shall extend the original term as extended to the date immediately preceding the fortieth (40th) anniversary of the aforesaid commencement date, subject to said agreed rental.

(e) In establishing rental for a particular ten-year period pursuant to paragraphs (b), (c) and (d) above, the City

and Lessee agree that such rental shall be established for use of the demised lands only and that any valuation that may arise from any buildings, structures or improvements or any alterations, modifications or enlargements thereof placed by Lessee on said lands heretofore or hereafter shall be excluded.

Said annual rentals shall be paid to City in equal monthly installments, in advance, on the first day of each month. Installments for a fraction of a month shall be prorated. Said installments shall be in lawful money of the United States of America, free from all claims, demands, setoffs or counterclaims of any kind against City.

4. OTHER LEASES, ETC., NOT AFFECTED

If the parties hereto have heretofore entered into any other lease, license, permit or agreement covering premises or facilities at the Airport, or for the use of the Airport, this lease, and the terms, conditions, provisions or covenants hereof, shall apply only to and in respect of the Airport lands and improvements herein particularly described and herein referred to as the demised premises, and neither this lease nor any of the terms, conditions, provisions or covenants hereof, shall in any way or in any respect change, amend, modify, alter, enlarge, impair or prejudice any of the rights, privileges, duties or obligations of either of the parties hereto, under or by reason of any other said lease, permit, license or other agreement between said parties. The provisions of this section shall be without prejudice to any claim or contention either of the parties hereto make, or may hereafter make, with respect to the legality or validity of any provision in any other lease, permit, license or other agreement existing between the parties.

5. UTILITIES

During the term of this lease unless terminated earlier as provided in this lease, Lessee shall have the right to obtain, and City shall furnish service from City's water, sewage, storm water drainage and electric power facilities, adequate to meet Lessee's requirements as indicated by Airport Drawing No. CA-13800, dated

August 28, 1972 attached hereto marked Exhibit "B" and made a part hereof, but Lessee shall acquire no title thereto. Lessee shall have the right to request and receive telephone and communications services and illuminating or industrial gas service, subject to the customary rules and regulations of these utility companies, from the utility companies furnishing such services, whether the companies deliver such services directly through their own conduits or pipes or through conduits or pipes owned by City. Lessee agrees to pay all charges legally established for said utility and facility services.

City, at its own cost and expense, agrees to bring adequate connections for said utilities and facilities to those points indicated on Exhibit "B" attached hereto and made a part hereof. Any extension of said utilities and facilities from said connections to or within said demised premises, made by Lessee for the sole use of Lessee, shall be made at the cost and expense of Lessee, who shall have the right of access to said points indicated on Exhibit "B" from the demised premises; provided, that City reserves the right to relocate any or all of said connections, at its own expense, in which event City will replace any and all of Lessee's utility or facility lines or ducts with not less than comparable material or supplies at City's expense, between newly located connections and Lessee's then existing utilities, and, in such event, Lessee's right of access to the point or points involved and as shown on Exhibit "B" shall terminate, and Lessee shall then have the right of access to such newly located connections from the demised premises. Lessee shall maintain, repair, or replace, if necessary, at its own cost and expense, all such utilities and facilities on the demised premises and therefrom to said connections. Lessee shall not cross-connect water supplies from sources other than City's supply pipes. City shall not be liable to Lessee for failure of any said utility to render service, or from temporary suspension of said utility or other services hereinabove enumerated. City shall have the right at all times, without unreasonably or unduly interfering with Lessee's use of the demised premises, utilities or facilities, to enter upon the demised premises and install, construct, maintain,

operate and remove water pipes; drainage pipes, electric power supply lines, telephone and communication conduits, sewerage lines, and any other utility or facility necessary or convenient for general Airport uses, and for the purpose of coordination, whether directly related to uses by Lessee or otherwise. In any such operation, City will not unnecessarily interrupt services to Lessee and the demised premises shall, in every such instance, be restored to the immediate prior condition at City's expense in the event of any excavation upon said demised premises for any of said purposes.

6. SEWERS AND DRAINS

Drains or other facilities provided by Lessee for the purpose of disposing of storm or other waters shall in no case be connected to sanitary sewers unless the quality and volume of such waters to be processed through the Airport Sanitary Treatment Plant shall be acceptable to the Director. In the event that Lessee's facilities (either storm or sanitary) are below an elevation that will permit gravity flow into facilities provided by City, then Lessee shall provide and maintain such pumping facilities as may be necessary to deliver storm water or sanitary sewage to the proper drainage system facilities or sanitary sewers provided by City for the disposal of same.

Lessee, alone or in conjunction with others, and subject to the approval of the Commission, shall provide and at all times maintain, at its own expense, adequate separators, filters, tanks, or other mechanical or chemical devices to prevent the flow from the demised premises into City stormwater drainage and sewer systems or conduits, of any petroleum, chemical, mineral or other deleterious matter or substances, which would cause hazards or unlawful contamination of the San Francisco Bay waters into which said systems flow, or which might interfere with the flow in said systems. In the event City determines that the above mentioned devices have not so prevented the flow of such matter and substances, then, on the written request of Director, Lessee shall install tanks or other devices on the demised premises to receive such substances and matter and cause them to be removed from the Airport.

Lessee and City agree to cooperate with and assist each other in efforts to comply with all laws, rules, regulations and requirements of the Federal Government, the State of California and San Mateo County, particularly of the San Francisco Bay Regional Water Pollution Control Board or its equivalent successor, and in this connection Lessee agrees to render such reports concerning the accumulation and disposition of its industrial wastes as may be required by Director.

7. ROADS AND TAXIWAYS

Lessee shall have reasonably convenient access to and from Airport taxiways and runways to and from the demised premises at the existing access points and such others as the Director may designate in writing. Lessee shall have access to the demised premises from the Airport service roads (which City agrees to maintain to Airport standards) at all existing access points and such future location or locations as mutually agreed between Lessee and Director.

8. INGRESS AND EGRESS

Lessee and its officers, employees, agents, passengers, guests, business visitors, suppliers of material and furnishers of service shall have the full right of ingress and egress to and from the demised premises for all uses of the demised premises, subject only to such reasonable rules and regulations now or hereafter established by City respecting such use and without the imposition of any charges by City against Lessee or its said suppliers and furnishers for the privilege of purchasing, selling, using, handling, or delivering such property or services or transporting same to, from or on the demised premises; provided, however, that City may impose a charge upon Lessee's suppliers or furnishers of service in an amount sufficient to compensate City for the costs incurred by City in the reasonable regulation by City of such suppliers or furnishers of service in the exercise by them of the foregoing right of ingress and egress, and, further, that such right of ingress and egress shall not alter or affect whatever contractual arrangements which may now or hereafter exist between City and Lessee's suppliers or furnishers of in-flight food service.

9. RIGHTS OF WAY

Without the imposition of any charge therefor, Lessee shall have the use and enjoyment of suitable rights of way over lands within the Airport not otherwise available hereunder to Lessee, between the demised premises and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, permit, license or other agreement with City, at locations and in a manner first to be approved in writing by Commission, for the purpose of enabling Lessee to install and maintain conduits, ducts, pipes and wires, and incidental accessories, equipment and devices which are or may be necessary or convenient thereto in connection with Lessee's communications, control, telephone, teletype, interphone, pneumatic tube, power, steam, drainage, sewage, water supply, illuminating and industrial gas supply, fuel (including turbine fuel and gasoline) pipe lines, or in connection with other similar facilities and supplies. Said rights of way for fuel (including gasoline) pipe lines shall include but shall not be limited to rights of way between the demised premises for the exclusive use of Lessee and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, permit, license or other agreement, and also between the demised premises and any other premises or place at the Airport which may be the source of Lessee's fuel supply or the place of delivery or storage of said fuel.

10. CONSTRUCTION BY LESSEE

Subject to the conditions herein set forth, Lessee shall have the right, at its own cost and expense, and without any rental credit from City, from time to time, to place, construct or erect on said demised premises, any buildings, structures or improvements which it may consider necessary or useful in connection with or related to air transportation operations and activities permitted to be carried on under the terms of this lease, and to alter, modify or enlarge any buildings, structures or improvements now or hereafter located on said premises. Lessee shall comply with all federal, state and county codes, laws, regulations, ordinances

and rules which may apply to the use of said buildings and improvements. All construction shall meet the applicable requirements of the latest amended edition of the Uniform Design Standards and Regulations Governing Tenant Construction Improvements at San Francisco International Airport, adopted by the Commission, and all construction shall be subject to inspection and approval by City, which approval shall not be withheld unreasonably. Major power lines and telephone lines constructed by Lessee on the demised premises shall be placed underground. Before commencing the construction of any new building or structure, or any alterations (except alterations deemed minor by Director who may approve same in writing), modifications or enlargements, Lessee shall submit plans and specifications therefor to Commission through Director, and Commission shall within thirty (30) days thereafter either approve, disapprove or require such modifications as may be necessary to meet City's architectural and structural requirements, provided that approval shall not be unreasonably withheld. Said plans, as approved by Commission, shall also be subject to approval by City's Art Commission. Upon the completion of any such alterations, modifications or enlargements, or such new construction, Lessee shall furnish City, through Director, with two (2) complete sets of detailed plans and specifications of the work as completed. City agrees that such plans and specifications shall not be made available to any third party except as required by law, without the consent of Lessee. In the event of construction or alteration, Lessee shall notify City thereof in writing ten (10) days in advance thereof and City shall have the right to enter and post and maintain notices of nonresponsibility upon the demised premises. All permanent buildings, structures and improvements hereafter constructed or placed upon the demised premises and all alterations, modifications and enlargements thereof and improvements therein, shall not be deemed trade fixtures, but shall become part of the demised premises with title thereto vesting in City at the expiration or sooner termination of this lease subject, however, to Lessee's right of exclusive possession, use and occupancy during the term of this lease in accordance with the terms and conditions hereof.

Lessee shall have the right at any time to demolish and remove, in whole or in part, any of said buildings or structures which are of a temporary character. Lessee shall have no right to remove a building or structure of a permanent character without the written consent of Commission, which may, in the discretion of Commission, be conditioned upon the obligation of Lessee to replace the same by a building or structure approved by Commission. For the purpose of the foregoing, a temporary building or structure is herein defined to mean a building or structure which, at the time it is constructed or erected, is intended to temporarily serve its purpose for a period not exceeding ten (10) years or as may be otherwise agreed by Lessee and City. All other types of buildings or structures shall be deemed permanent in character. Lessee shall have the right to install underground storage tanks on the demised premises and it is agreed that said storage tanks shall constitute removable property of Lessee under Section 12 of this lease and that Lessee shall have the right to remove said tanks at any time, provided that upon such removal Lessee shall repair at its own expense any damage resulting to City therefrom and, provided further, that Lessee agrees on the last day of said term, or sooner termination of this lease, to fill any holes and to remove any improvements caused by the removal of said tanks.

11. FIRE INSURANCE

Lessee shall be under no obligation to insure any temporary buildings or structures (as same are defined in Section 10 hereof) during the term of this lease against fire or any other casualty, and in the event that any of said temporary buildings or structures should be damaged or destroyed by fire or other casualty (irrespective of whether the same are or are not covered by insurance carried by Lessee), Lessee shall have no obligation whatever to City to repair or replace any of said temporary buildings or structures.

With respect to all permanent buildings, structures or other improvements heretofore erected by Lessee on said demised premises and upon commencement of the construction of any structures or buildings on the demised premises considered herein to be permanent, and thereafter throughout the existence of this lease, Lessee, at

its sole cost, shall keep and maintain fire insurance accompanied by the extended coverage endorsement now customarily issued by fire insurance companies in San Francisco, for the full replacement value with ninety percent (90%) average clause upon all such structures and buildings (excluding any aircraft docks or removable property and except as described in Section 12 hereof) and shall name City and Lessee as the insureds as their interests may appear. Said insurance shall be issued by an insurance company or companies meeting with the written approval of City's Controller and in legal form as approved by the City Attorney. Said insurance company or companies shall have a policyholders' surplus of at least ten times the amount of liability afforded under the policy or policies. A true copy or certificate of such insurance policy or policies shall be furnished upon issuance to Director and thereafter, on an annual basis, certificates of said insurance shall be furnished to Director, which certificates shall be subject to the aforesaid approvals.

Said policy or policies shall stipulate that no other insurance effected by City will be called on to contribute to a loss covered hereunder. City agrees to endeavor to give promptly to any encumbrancer under this lease written notice of any substantial damage or destruction of the buildings on the demised premises but City shall not be liable for its failure to give such notice.

In lieu of insurance as above required, Lessee may provide equal protection under a self-insurance plan of Lessee subject to prior written consent of Commission.

Should any of said permanent structures or buildings be damaged or destroyed by fire, or other risks under said extended coverage endorsement, it is understood that all sums recoverable under said insurance will be paid to City, and City covenants that all sums paid to and received by it under said policy, including any losses attributable to Lessee's interest, shall be used promptly by it for the repair or reconstruction of said buildings or structures, to Lessee's reasonable specifications, or for such other purpose mutually agreed by Commission and Lessee. Neither City nor Lessee shall be under any obligation with respect to repair or reconstruction except to the extent of the application by City of the

insurance proceeds to repair and reconstruction as herein provided.

Any renewal of said policy or policies shall be subject to the terms hereof. The insuring company shall deliver thirty (30) days' written notice to City prior to any termination or material change of said policy or policies.

12. REMOVABLE PROPERTY AND EQUIPMENT

At any time during the period the within lease is in effect and no later than the expiration of the term hereof, if Lessee is not then in default hereunder, Lessee shall have the right to remove any or all trade fixtures of every kind and nature whatsoever which Lessee theretofore has placed or installed upon the demised premises. It is hereby expressly understood and agreed that any and all machinery, tools, devices, appliances, furniture, furnishings, equipment and supplies of every kind and nature, theretofore so placed or installed by Lessee in or on any of said demised premises, shall, as between City and Lessee, be deemed to be and remain the trade fixtures of Lessee, notwithstanding the same are or may be attached, affixed or annexed to the land or the floors, ceilings or any other parts of any buildings or structures on said demised premises. Lessee shall have the right to remove the same, provided that upon said removal Lessee shall repair, at its own expense, any damage resulting therefrom.

13. REGULATIONS OF CITY

The occupancy and use by Lessee of the demised premises and the rights herein conferred upon Lessee shall be subject to such reasonable rules and regulations not inconsistent with the provisions of this lease, as are now or may hereafter be prescribed by City.

14. LESSEE'S ASSOCIATED AND AFFILIATED COMPANIES

Subject to the provisions of Section 1 hereof, Lessee may permit its associated or affiliated companies to use all or any part of the demised premises, rights of way, facilities, rights, licenses and privileges granted to Lessee hereunder for and in connection with and incidental to the operation of aircraft to the same extent and upon the same terms and conditions as set forth

in this lease.

Affiliated company shall mean a corporation or company engaged in the air transportation or related business in which Lessee shall hold a substantial financial or operating interest. Associated company shall mean a corporation or company engaged in foreign or overseas air commerce or transportation with which Lessee, or an affiliated company of Lessee, shall have any agreement for providing services thereto.

15. ASSIGNMENT, SUBLETTING AND HYPOTHECATION

Except as otherwise provided in this section, Lessee shall not assign this lease or any of its rights hereunder without the prior written consent of Commission. Such consent shall not be withheld unreasonably.

Lessee may, without the necessity of obtaining any consent from Commission, transfer this lease to any entity succeeding to all or substantially all of Lessee's assets by sale, merger, consolidation or reorganization, and in the event of such sale, merger, consolidation or reorganization, the resulting entity shall assume and be bound by all of the terms and conditions of this lease.

Lessee shall have the right, without the necessity of obtaining any consent from Commission, to encumber the leasehold estate created herein by mortgage, pledge, deed of trust, or other instrument, with a lender or lending institution, and shall have the right to assign or transfer Lessee's interest in any improvements constructed upon the demised premises by Lessee during the term of this or any prior indentures of lease described in Section 37 hereof to one or more persons or entities, for the purpose of financing such construction of improvements including any betterments or additions thereto. Such lenders, lending institutions, assignees and transferees of title are herein referred to as "encumbrancer" and the various instruments evidencing the rights of such encumbrancer(s) with respect to such leasehold estate and such improvements are herein called "security instrument(s)". Lessee shall promptly provide Director with a certified copy of any security instrument.

Any such encumbrancer may deliver notice to Director of the existence of its security instruments and of its name and post

office address. If such a notice be delivered to City, City will not exercise any right to terminate this lease unless City first mails to such encumbrancer, reasonable written notice of its intention so to do.

Such encumbrancers or any of them may make any payment or perform any act required under this lease to be made or performed by Lessee with the same effect as if made or performed by Lessee and no entry by any of such encumbrancers upon the demised premises for such purpose shall by that fact alone constitute or be deemed to be a default hereunder.

Such encumbrancers, their successors and assigns shall have the right to succeed to the leasehold estate created herein and to Lessee's interest in any improvements upon the demised premises under the exercise of the power of foreclosure or otherwise as permitted under the terms of encumbrancers' security instrument, without the necessity of obtaining Commission's written consent; provided, however, that any such encumbrancers, successors and assigns shall be bound by all the terms, covenants and conditions of this lease.

It is understood and agreed by Lessee that any consent to assignment given herein by City shall not release Lessee from its obligations to comply with all of the terms, covenants, agreements and conditions of this lease.

Notwithstanding anything to the contrary in this lease contained, Lessee may assign this lease as provided for in this section only if at the time of such assignment no default is existing or continuing in the performance of any of the terms, covenants, conditions, limitations or agreements on the part of Lessee to be performed.

Lessee shall not sublet the demised premises in part or in whole without the prior written consent of City. City may consent to a subletting of a part or all of the demised premises, in its absolute discretion, provided that such sublease shall be for an Airport purpose determined by Commission to be satisfactory for said Airport, and upon such terms and conditions first approved in writing by Commission. Such consent may be conditional in other respects including the approval of rent.

16. CANCELLATION BY CITY

If default be made by Lessee in any of the terms, conditions, agreements and covenants herein contained and to be performed by Lessee and Lessee shall continue in such default for a period of ninety (90) days after notice in writing from Commission of such default and specifying the same, then it shall be lawful for City, through Commission, to enter upon the demised premises and take exclusive possession of the same; provided, however, that if default should be Lessee's failure to pay rental due hereunder, said period shall be sixty (60) days, rather than ninety (90) days, and provided further that if the default (except for failure to pay rent) is of such nature that it cannot be cured within the said ninety (90) days above specified, Lessee shall be allowed such additional time as Commission may deem necessary to cure the same, and Lessee shall act with diligence. The exercise of the remedy provided in this section shall be cumulative and shall in no wise affect any other remedy available to City. In the event that City exercises the right to relet the demised premises, such reletting may be for any period of time and City shall be entitled to damages, if any, as the same accrue.

17. CANCELLATION BY LESSEE

Lessee may cancel this lease and terminate its obligation hereunder at any time, either prior to or subsequent to the commencement of the term hereby granted, upon or after the happening of any one of the following events:

(1) The failure or refusal of the Federal Aviation Administration, Civil Aeronautics Board, or other governmental agency having jurisdiction over the operations of Lessee, to grant or permit Lessee, for a period of ninety (90) days, the right to regularly operate into and from said Airport on account of the condition, maintenance or inadequacy of said Airport or any aid or facility maintained or provided by City;

(2) The inability of Lessee to use the demised premises and facilities for a period longer than ninety (90) days due to any order, rule or regulation of any appropriate governmental

agency having jurisdiction over the operations of Lessee on account of the condition, maintenance or inadequacy of said Airport or any aid or facility maintained or provided or required to be maintained or provided by City;

(3) The breach by City of, or its failure to perform, any of the covenants or agreements herein contained, and the failure of City to commence the remedy of such breach for a period of ninety (90) days after receipt of a written notice of the existence of such breach;

(4) The Federal Aviation Administration, Civil Aeronautics Board, or other governmental agency having jurisdiction, suspending for more than ninety (90) days, or revoking the right of Lessee to operate as a domestic or international direct air carrier to or from the Airport.

The exercise of the remedy provided in this section shall be cumulative and shall in nowise affect any other remedy available to Lessee.

18. NO WAIVER OF SUBSEQUENT BREACHES OR DEFAULTS

The failure of City or Lessee to insist upon a strict performance of any of the terms, conditions and covenants herein shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained.

19. INSPECTION BY CITY

City may enter upon the demised premises at any reasonable time for any purpose necessary, incidental to or connected with the performance of Lessee's obligations hereunder, or in the exercise of governmental functions, or in the event of any emergency.

20. TAXES

Lessee shall pay and discharge all lawful taxes and assessments which, during the term hereof, may become a lien upon or which may be levied by the state, county or any other tax-levying body upon any taxable interest of Lessee acquired in this lease, and upon any taxable possessory interest which Lessee may have in or to the premises or facilities hereby leased, and upon all

improvements erected by Lessee both prior to and under this lease on the demised premises. If Lessee has paid any such tax or assessment under protest, Lessee may contest the legality thereof.

Lessee agrees further that in the event the amount of the annual real property taxes last paid or payable by City upon the demised premises shall be increased at any time during the term or extension of this lease, for any reason whatsoever, Lessee shall pay annually and promptly for the remainder of said term or extensions, the amount of such increases to City, at the office of Director. Lessee's obligation to make any such payment shall be subject to its receipt from City of an invoice therefor accompanied by supporting information in reasonable detail setting forth the manner in which such increase payable by Lessee was computed by City. At Lessee's request and expense City shall contest any such increase upon all reasonable grounds available.

21. BANKRUPTCY OR REORGANIZATION PROCEEDINGS

In the event Lessee shall file a voluntary petition in bankruptcy, or that proceedings in bankruptcy shall be instituted against Lessee and Lessee is thereafter adjudicated bankrupt pursuant to such proceedings, or that the court shall take jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal Reorganization Act, or that a receiver of Lessee's assets shall be appointed and not be removed within ninety (90) days from the date of appointment; or in the event that Lessee executes an assignment for the benefit of its creditors, City shall have the right to terminate this lease forthwith. If City exercises said right to terminate, such termination shall, in such instance, be deemed to occur upon the happening of any of said events, and from thenceforth Lessee shall have no rights in or to the demised premises or to any of the privileges herein conferred.

22. INDEMNITY

Lessee agrees to indemnify and hold harmless City, Commission and its members, and all of the officers, agents and employees of either, from and against all liability for injuries to or deaths

of persons or damage to property proximately caused by Lessee's negligence, acts or omissions arising out of its use of, occupancy of, or operations on or about the demised premises; provided, however, that this covenant shall not extend to liabilities proximately caused by any negligence, acts or omissions on the part of City, Commission and its members, or the officers, agents and employees of either, or by tenants. Each party hereto shall give to the other prompt and timely written notice of any claim made or suit instituted coming to its knowledge which in any way, directly or indirectly, contingently or otherwise, affects or might affect either, and each shall have the right to participate in the defense of the same to the extent of its own interest.

23. FAITHFUL PERFORMANCE BOND

Prior to this lease becoming effective, Lessee shall deliver to Director a faithful performance bond, certificate of deposit or other negotiable instrument in the sum of two months' rent which meets with the written approval of said Controller and in form approved by said City Attorney, which bond or other negotiable instrument guarantees to City full and complete performance of all of the terms, conditions and covenants herein to be performed on the part of Lessee, including the payment of rental. Said bond or other negotiable instrument shall be maintained at the cost of Lessee throughout the existence of this lease and shall be renewed annually. In the event Lessee is the lessee of City at the Airport of lands other than those herein demised, and under the terms of such other lease has provided City a faithful performance bond, Lessee may provide City, in lieu of the new aforesaid bond, with a rider or endorsement on said other bond extending the coverage thereof in the amount and for the purposes and subject to the requirements set forth herein. Renewals of said bond shall be subject to the terms hereof. Said surety shall give Director thirty (30) days prior written notice of cancellation or material change of said bond.

24. PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE

Throughout the term of this lease and any extensions thereof, Lessee, at its own cost and expense, shall maintain an insurance

policy or policies issued by an insurance company or companies satisfactory to said Controller and in form approved by said City Attorney. Said insurance company or companies shall have a policyholders' surplus of at least ten times the amount of liability afforded under said policy. Said policy or policies shall afford liability insurance covering the operations of Lessee on or use of the demised premises, and on or about the Airport. Said policy or policies shall be expanded to include automobile and contractual liability assumed under this lease with respect to bodily injuries, personal injuries and property damage. Said policy or policies shall include City, Commission, and all of their officers, employees and agents, their successors and assigns, as named insureds, subject to the contractual liability clause as aforesaid, shall contain a standard cross-liability provision, and shall stipulate that no other insurance effected by City will be called upon to contribute to a loss covered hereunder. ~~Said policy or policies shall cover~~ loss or liability for damages in the amount of Two Million Dollars (\$2,000,000.00) single limit each accident for bodily injury, death or property damage occurred by reason of Lessee's operations in, on or about the Airport.

Said policy or policies shall provide that written notice of cancellation or of any material change shall be delivered to Director by the issuing company or companies thirty (30) days in advance of the effective date thereof. Lessee shall increase the aforesaid limit upon the written demand of Director, provided that such increase is found reasonable and necessary by Commission. The original or a certified duplicate copy of said policy or policies shall be delivered to Director prior to Lessee entering the demised premises.

In the event Lessee is the lessee of City under another lease of Airport land or space and has furnished insurance coverage to City as required by such other lease, Lessee may furnish to Director, in lieu of the policy or policies required in this section, an appropriate endorsement extending such coverage to the premises herein demised in the amount and subject to the conditions and requirements of this section.

On renewal anniversaries of said policy or policies, City will accept a certificate of insurance from the issuing company or companies, which certificate shall be subject to the aforesaid approvals of said Controller and City Attorney.

In lieu of insurance as above required, Lessee may provide equal protection under a self-insurance plan of Lessee, subject to prior written consent of Commission.

25. LEASE MADE IN CALIFORNIA

This lease shall be deemed to be made in and shall be construed in accordance with the laws of the State of California.

26. SUBORDINATION TO SPONSOR'S ASSURANCE AGREEMENT

This lease shall be subordinate and subject to the terms of any "Sponsor's Assurance Agreements" which have been furnished by City to the Administrator of Civil Aeronautics or the Federal Aviation Administration acting for the Government of the United States of America. Such agreements shall not be considered as waivers of any claim of Lessee against the United States of America.

27. APPLICABILITY OF CHARTER PROVISIONS

All terms of this lease shall be governed by and be subject to the fiscal provisions of City's Charter.

28. PREVENTION OF TRESPASS

Lessee shall comply with all Federal Aviation Administration security regulations to prevent unauthorized persons from gaining access to restricted flight and public aircraft operational areas through the demised premises.

29. PREVENTION OF NUISANCES OR HAZARDS

Lessee shall take such reasonable precautions as may be necessary to eliminate, lessen or reduce any nuisances or hazards created by the operation of aircraft power plants within the demised premises.

30. ADVERTISING SIGNS

Lessee shall have the right to install, operate and maintain on the demised premises, at its own cost, signs advertising its own

business, provided that no such sign shall be erected or maintained by Lessee without the prior written consent of Director.

31. NOTICES

All notices required to be given to City hereunder shall be given by registered or certified mail, addressed to Director of Airports, Airports Commission, San Francisco International Airport, San Francisco, California 94128, or such other address as City may designate in writing from time to time.

All notices required to be given to Lessee hereunder shall be given by registered or certified mail, addressed to Lessee at the Airport, or such other address as Lessee may designate in writing from time to time.

32. SECTION HEADINGS

The section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this lease.

33. CONFLICT OF INTEREST

Lessee hereby states that it is familiar with the provisions of Section 8.105 of the San Francisco Charter and certifies that it knows of no facts which constitute a violation of said section. It further certifies that it will make a complete disclosure to Commission of all facts bearing upon any possible interest, direct or indirect, which it believes any member of Commission, or other officer or employee of the City and County of San Francisco presently has or will have in this lease or in the performance thereof, or in any portion of the profits thereof. Wilful failure to make such disclosure, if any, shall constitute grounds for termination of this lease by City.

34. DECLARATION RE AIRPORT PRIVATE ROADS

Lessee hereby acknowledges and agrees that all roads existing at the date of execution hereof within the boundaries of the San Francisco International Airport, or as shown on the current Airport Plan, and as it may be revised, are the private property and private roads of the City and County of San Francisco, with the exception of

that portion of the old Bayshore Highway which runs through the southern limits of the City of South San Francisco and through the northern portion of the Airport, to the intersection with the North Airport Road as shown on said Plan, and with the exception of that portion of the North Airport Road which runs from the off and on ramps of the State Bayshore Freeway to the intersection with said old Bayshore Highway as shown on said Plan. Lessee further acknowledges and agrees that any and all roads hereafter constructed or opened by City within the Airport boundaries will be the private property and roads of City unless otherwise designated by appropriate action. The acknowledgments and agreements set forth in this section are in no way intended to diminish, restrict or permit any interference with Lessee's right to exclusive use of the demised premises or with Lessee's rights pursuant to Sections 7 and 8 hereof.

35. NONDISCRIMINATION

Lessee understands and acknowledges that City has given to the United States of America, acting by and through the Federal Aviation Administration, certain assurances with respect to non-discrimination, which have been required by Title VI of the Civil Rights Act of 1964, and by Title 49, Code of Federal Regulations, Department of Transportation, as a condition precedent to the government making grants in aid to City for certain Airport programs and activities, and that City is required under said Regulations to include in every agreement or concession pursuant to which any person or persons other than City, operates or has the right to operate any facility on the Airport providing services to the public, the following covenant, to which Lessee agrees:

The Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of

Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

The Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

City, in response to said Act and said Regulations, covenants and agrees with the United States of America that in the operation and use of the Airport it will not, on the grounds of race, color, or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by Title VI of the Civil Rights Act of 1964 and Title 49, Code of Federal Regulations, Department of Transportation and that it will include the foregoing covenant in every agreement or concession, as a covenant running with the land, pursuant to which any person or persons, other than City, operates or has the right to operate any facility on the Airport providing services to the public, and that it will also include in such agreement a provision granting to the United States of America the right to seek judicial enforcement with regard to any matter arising under the Act, the Regulations and this covenant and to City the right to take such action as the government may direct to enforce such covenant.

36. OPERATION AND MAINTENANCE OF AIRPORT

City shall at all times operate the Airport properly and in a prudent, reasonable and economical manner, maintain, preserve and keep the same properly or cause the same so to be maintained,

preserved and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating airports of like size and character, including without limitation the use of the demised premises by the Lessee as herein provided.

37. CANCELLATION OF EXISTING LEASEHOLDS; TITLE TO EXISTING LESSEE IMPROVEMENTS

Notwithstanding the provisions of Section 4 hereof, in consideration of the execution and delivery of this Indenture of Lease, the City and Lessee hereby mutually agree to cancel and terminate in their entirety the following leases or agreements relating to portions of the demised premises hereunder:

(a) That certain Indenture of Lease dated December 1, 1947 (as amended) covering certain parcels of lands (together with certain improvements thereon owned by City) located at the Airport and designated as "Plot A" and "Plot B" in Paragraph 1 of said Indenture;

(b) Indenture of Lease dated October 1, 1955 (as amended), covering irregular strip of land to the west and south of Lessee's Maintenance Base;

(c) Indenture of Lease dated August 20, 1958, covering 13.79 acre parcel west of South Airport Boulevard;

(d) Indenture of Lease dated June 3, 1969, covering "Plot C";

(e) Indenture of Lease dated August 22, 1967, covering Substation U;

(f) Indenture of Lease dated September 10, 1969 (as amended), covering Plots "D" and "E".

The cancellation and termination of said Indentures shall be deemed effective as of the commencement of the term hereof, namely, July 1, 1973 and upon such date the parties hereto hereby release each other from the incurring of any further obligations or liabilities thereunder.

As a further consideration for the execution of this indenture by City, Lessee agrees that title to all buildings, structures and improvements heretofore erected by Lessee on any of the lands leased under the Indentures described above shall vest in City on the commencement of the term hereof, subject to Lessee's right of exclusive use and occupancy hereunder.

38. SEPARABILITY

In the event any covenant, condition or provision herein contained is held by any court of competent jurisdiction to be invalid, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided, however, that the invalidity of any such covenant, condition or provision does not materially prejudice either the City or the Lessee in their respective rights and obligations contained in the valid covenants, conditions or provisions in this lease. If the invalidity of any such covenant, condition or provision should be deemed materially to prejudice the Lessee in its rights or obligations contained in the valid covenants, conditions or provisions herein, or if the consequence or effect of the invalidity of any covenant, condition or provision herein contained will or may be to reduce any of the areas, spaces, improvements, structures, facilities, terms, benefits or privileges which the Lessee otherwise would or might enjoy or be entitled to, or to increase the rentals, charges, fees or other costs or expenses payable by the Lessee, the Lessee may nevertheless, at its option, elect either to terminate this lease in its entirety, or to continue it in full force and effect with only said invalid covenant, condition or provision, or said invalid covenants, conditions or provisions, eliminated therefrom.

39. NONDISCRIMINATORY EMPLOYMENT PRACTICES

The applicable provisions of Ordinance No. 261-66 as amended are incorporated herein and by reference made a part of this agreement. (See Addendum attached hereto.)

40. TIME

Time is of the essence of this lease.

IN WITNESS WHEREOF, the parties hereto have caused this lease to be signed, in quadruplicate, by their respective authorized officers and their respective corporate seals to be affixed hereunder on the day and year first hereinabove written.

LESSOR

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

APPROVED AS TO FORM:

THOMAS M. O'CONNOR
City Attorney

By William F. Dwyer
Utilities General Counsel

Authorized by:
Board of Supervisors
Resolution No. 313-73
Dated May 7, 1973

Robert J. Dolan
Robert J. Dolan, Clerk of the
Board of Supervisors

DEPT.	INITIALS
US	<u>WFO</u>
PROPERTY	<u>af</u>
LAW	<u>WFO</u>
UV	<u>WFO</u>

AIRPORTS COMMISSION

Wm. J. [Signature]
Director of Airports

Authorized by:

Airports Commission

Resolution No. 73-0066

Adopted: March 20, 1973

ATTEST:

Richard B. Newport
Secretary

APPROVED:

Wallace Wortman

Wallace Wortman
Director of Property

LESSEE

UNITED AIR LINES, INC.

By Charles F. McEllan (Seal)

EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER

ATTEST:

[Signature]
ASSISTANT SECRETARY

(To be accompanied by certified copy of corporate resolution authorizing execution hereof.)

FILE NO. 27-90-9 ORDINANCE NO. 1-91

1 (AIRPORT - LEASE MODIFICATIONS)
2
3
4 APPROVING MODIFICATION NO. 2 OF LEASE AGREEMENT BETWEEN PAN AMERICAN WORLD
5 AIRWAYS, INC, AND CITY AND COUNTY OF SAN FRANCISCO, ACTING BY AND THROUGH ITS
6 AIRPORTS COMMISSION.
7

8 It ordained by the People of the City and County of San Francisco:
9 Section 1. Pursuant to Section 7.402-1 of the Charter, the Board of
10 Supervisors hereby approves Modification No. 2 of the Lease and Use Agreement
11 between Pan American World Airways, Inc. and the City and County of San
12 Francisco, acting by and through its Airports Commission, a copy of the
13 Modification which is contained in Board of Supervisors' file number 27-90-9,
14
15

16 APPROVED AS TO FORM:
17 LOUISE H. REMME
18 City Attorney
19 By Donna H. Remme
20 Deputy City Attorney

Board of Supervisors, San Francisco
Passed for Second Reading January 7, 1991
January 7, 1991
Ayes: Supervisors Alioto, Britt, Gonzalez, Hallinan, Hsieh, Kennedy, Maher, Walker, Ward
Absent: Supervisors Britt, Halder

I hereby certify that the foregoing ordinance was finally passed by the Board of Supervisors of the City and County of San Francisco

John Taylor Clerk
David M. Jones Mayor

File No. 27-90-9
JAN 14 1991
Date Approved

SAN FRANCISCO INTERNATIONAL AIRPORT
LEASE MODIFICATION AGREEMENT

THIS MODIFICATION OF LEASE, made and entered into this first day of April, 1980, by and between the City and County of San Francisco, acting by and through its Airports Commission, as Lessor (hereinafter called "City"), and United Airlines, Inc., a corporation, as Lessee.

W I T N E S S E T H :

WHEREAS, United Airlines, Inc. (hereinafter called "Lessee") is the Lessee under a lease dated June 18, 1973, and entitled "United Airlines - Maintenance Base Lease - San Francisco International Airport" which demises a Parcel 1 containing 115.23 acres and Parcel 2 containing 13.79 acres together with improvements thereon for an initial term of twenty (20) years plus two (2) additional consecutive ten (10) year renewal options with rental over the first ten (10) year period from July 1, 1973, through June 30, 1983, at the rate of \$4,350 per acre per year, as approved by Airports Commission Resolution No. 73-0066 adopted March 20, 1973, and authorized by Board of Supervisors Resolution No. 313-73 adopted May 7, 1973, all as recorded in the official Records of San Mateo County on June 29, 1973, in Volume 6421 at Page 345; which lease by reference is made a part hereof; and

WHEREAS, pursuant to the request of the State of California, acting by and through its Department of Transportation's Division of Highways, the Airports Commission by Resolution No. 73-0069, adopted March 20, 1973, authorized execution of a Land Use Permit which allowed the State of California access to certain parcels of land, including a 0.89 acre portion of Parcel 2 which it proposed to condemn, said Permit to be subject to any rights of tenants in possession and to commence on a date to be subsequently determined; and

WHEREAS, Summons and Complaint In Eminent Domain, Action No. 75531, was filed by the People of the State of California, as Plaintiff, against City as Defendant, in San Mateo Superior Court on May 7, 1973,

and served upon the City on June 7, 1973, condemning property under the jurisdiction of the Airports Commission and including the property described in the aforesaid Land Use Permit, for interstate highway purposes; and

WHEREAS, on October 2, 1974, an Order for Possession, effective November 4, 1974, was issued by the San Mateo Superior Court and served upon City October 8, 1976; and

WHEREAS, City wishes to compensate the airline for loss of peaceful possession of said 0.89 acre portion of Parcel 2 and for the unamortized value of its improvements therein as of June 13, 1973, the effective date of the Land Use Permit; and

WHEREAS, City wishes to adjust the annual rent payable under the terms of the aforementioned lease to reflect the loss of use to Lessee of the 0.89 acre portion of Parcel 2 to a proportionately lesser rental in accordance with the terms of the aforementioned lease; and

WHEREAS, Lessee is agreeable to this modification of lease on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

FIRST: Effective June 13, 1973, Lessee by these presents does grant, give, release, relinquish and surrender to City, subject to access rights of record and those vested in the State of California by virtue of the Land Use Permit previously referred to, all of Lessee's rights, title, interest, term of years, property, claim and demand whatsoever of it in, to or out of the following described portion of the premises demised to it by City under the Maintenance Base Lease approved March 20, 1973, and dated June 18, 1973, together with all structures and improvements of any kind and description located therein;

NORTHWEST PORTION OF PARCEL 2 AREA

RELINQUISHED BY UNITED AIRLINES

Commencing at the intersection of the centerline of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Station

F, District IV, as shown on Sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, Between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said centerline of San Bruno Avenue North 65 deg. 42' 14" East 953.24 feet to a point on the easterly right-of-way line of the Bayshore Freeway, said point being distant along said right of way line South 24 deg. 17' 46" East 52 feet from a California Highway Commission concrete monument; thence continuing along centerline of San Bruno Avenue North 65 deg. 42' 14" East 595.80 feet; thence North 24 deg. 17' 46" West 45.00 feet; thence continuing along the westerly lease line of Parcel 2 North 24 deg. 17' 46" West 45.00 feet; thence South 65 deg. 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90 degrees, an arc distance of 54.98 feet; thence North 24 deg. 17' 46" West 1175.95 feet; thence North 25 deg. 28' 16" West 388.04 feet to the True Point of Beginning of this Description; thence North 25 deg. 28' 16" West 173.57 feet; thence North 64 deg. 31' 44" East 330.01 feet; thence South 25 deg. 28' 16" East 60.87 feet; thence South 45 deg. 40' 23" West 348.74 feet to the True Point of Beginning, containing therein 0.89 of an acre, more or less. All of which land is identified by Airport Drawing No. CA-14291, dated April 19, 1976, attached hereto, marked Exhibit "A" and made a part hereof.

SECOND: It is understood and agreed by the parties hereto that in accordance with the foregoing relinquishment, the legal description of the remaining portion of the demised premises known as "Parcel 2 - Revised" shall be as follows:

UNITED AIRLINES MAINTENANCE BASE

PARCEL 2 - REVISED

Commencing at the section corner common to Sections 27, 28, 33, 34, Township 3 South, Range 5 West, M.D.B.&M., thence along the section line common to Sections 27 and 34 East 1,343.44 feet; thence North 600.98 feet to the True Point of Beginning of this Description; said point lying in the Southeasterly line of that parcel of land described as Parcel 1A in the Complaint in Eminent Domain, No. 175581, State of California, Plaintiff, v. City and County of San Francisco, et al,

Defendants, filed in the Superior Court of California for the County of San Mateo; thence along said southeasterly line of said Parcel 1A North 45 deg. 40' 23" East 348.74 feet to a point on the southwesterly right-of-way line of the original Bayshore Highway, the portion of said right-of-way within Tide Land Lot No. 28, Section 27, T. 3 S., R. 5 W., M.D.B.&M., being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926, in Book 267, Official Records of San Mateo County, at page 348, and that portion of said right-of-way within Section 34 northeasterly of San Bruno Avenue being as described in that Easement from Mills Estate, Inc., to the State of California dated October 23, 1924, and recorded August 8, 1925, in Book 180, Official Records of San Mateo County, at page 149; thence along said right-of-way line South 25 deg. 28' 16" East 907.31 feet; thence continuing southeasterly along said right-of-way line on a curve to the right, tangent to the preceding course, radius 9,937.50 feet, central angle of 2 deg. 14', an arc distance of 387.35 feet; thence continuing along said right-of-way line South 23 deg. 14' 16" East 468.98 feet to a point which is distant 45.00 feet and bears North 24 deg. 17' 46" West from the centerline of San Bruno Avenue; thence southwesterly parallel to and 45.00 feet from said centerline of San Bruno Avenue South 65 deg. 42' 14" West 168.00 feet; thence North 24 deg. 17' 46" West 45.00 feet; thence South 65 deg. 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90 deg., an arc distance of 54.98 feet; thence North 24 deg. 17' 46" West 1175.95 feet; thence North 25 deg. 28' 16" West 388.04 feet to the True Point of Beginning, containing therein 12.90 acres, more or less;

Excepting therefrom a ten-foot strip of land for utility purposes, containing an area of 0.21 acres, more or less.

All of which "Parcel 2 - Revised" together with the aforesaid 0.21 acre land reservation are identified on Airport Drawing CA-14292 dated April 19, 1976, marked Exhibit "B", attached hereto and made a part hereof.

THIRD: It is understood and agreed by the parties hereto that the demised premises shall continue at the same per acre rental rate as hereinabove provided in the lease dated June 18, 1973, provided, however, that the annual rental under said lease shall be reduced by \$ 3,871.50 to a revised annual rental of \$ 557,365.50 for the remainder of the first ten (10) year period ending June 30, 1983, to reflect the reduced acreage in the leasehold.

FOURTH: City hereby agrees that Lessee shall receive rent credit in the sum of \$26,266.12 as just and full compensation for its surrender to City of said 0.89 acre portion of Parcel 2 as well as the sum of \$9,370.37 for its unamortized improvements thereon and tax and rental overpayment; said sums totalling \$35,636.49 in rent credits to Lessee.

FIFTH: Except as herein expressly provided, all terms, conditions and covenants agreed to be kept and observed by the parties hereto, or either of them, contained in the 1973 lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this modification of lease to be signed in quadruplicate by their respective authorized officers, the day and year first hereinabove written.

APPROVED AS TO FORM:

GEORGE AGNOST,
City Attorney

By Donald J. Garibaldi
Donald J. Garibaldi
Airports General Counsel

By J. Peter Singer
J. Peter Singer
Deputy Director of Airports
Business and Finance

CITY AND COUNTY OF SAN FRANCISCO
AIRPORTS COMMISSION

By Richard R. Heath
Richard R. Heath
Director of Airports

UNITED AIR LINES, INC.

By [Signature]
Title _____

Authorized by Airports Commission
Resolution No. 80-0066
Adopted: MAR 18 1980

Attest: [Signature]
By: Eric Craven
Eric Craven, Secretary

RG
3/17/80
3/12
[Signature]

THIS MODIFICATION OF LEASE, made and entered into this 2nd day of May 1994, by and between the City and County of San Francisco, acting by and through its Airports Commission, as Lessor (hereinafter called "City"), and United Air Lines, Inc., a corporation, as Lessee.

WITNESSETH

WHEREAS, United Air Lines, Inc. (hereinafter called "Lessee") is the Lessee under a Lease from the City, as Lessor, dated June 18, 1973 and effective July 1, 1973, authorized by Airports Commission Resolution No. 73-0066 and Board of Supervisors Resolution No. 31-373, as amended by Airports Commission Resolution No. 80-0066, which Lease relates to the use and occupancy by Lessee of certain property commonly known as the Maintenance Operation Center (MOC) located on Parcels 1 and 2 ("Premises") located at the San Francisco International Airport, and which is by reference made a part hereof ("Lease"); and

WHEREAS, City and Lessee have entered into an Agreement for use of Airport controlled Parking Facilities dated October 18, 1994 ("Parking Facilities Agreement") pursuant to which the City granted Lessee certain rights to use various Parking Facilities at the Airport in exchange for Lessee's agreement to relinquish its right to certain areas of the Lease; and

WHEREAS, City now desires Lessee to release, relinquish and surrender to City a portion of the aforesaid demised Premises consisting of 5.34 acres, more or less, of the West Lot of MOC property, identified as Plot 16A, on which the City will construct a multi-story parking structure ("Garage"); and

WHEREAS, City now further desires Lessee to release, relinquish and surrender to City a portion of the aforesaid demised Premises consisting of .21 acres, more or less, which the City will use for the widening of the North Access Road; and

WHEREAS, City and Lessee desire to add that parcel of land commonly known as Plot 52 consisting of 7.17 acres, more or less, into the leased premises; and

WHEREAS, in consideration of the Parking Facilities Agreement and other covenants contained herein, Lessee is agreeable to modification of the Lease on the terms and conditions hereinafter set forth;

NOW, therefore, the parties hereto hereby agree as follows:

1. Effective August 15, 1994, subject to the terms and conditions of the Parking Facilities Agreement between City and Lessee dated October 18, 1994, attached hereto, marked Attachment "I" and made a part hereof, Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title interest, term of years, property, claim and demand whatsoever in, to or out of the following described portion of the Premises demised to it by City under the Lease containing 5.34 acres more or less, together with all structures and improvements of any kind and description located thereupon, and described more particularly as follows:

Commencing at the intersection of the center lines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, District IV, as shown on sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said center line of San Bruno Avenue North 65° 42' 14" East 1549.04 feet; thence North 24° 17' 45" West 90.00 feet; thence South 65° 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, a radius of 35.00 feet, a central angle of 90°, an arc length of 54.98 feet; thence North 24° 17' 46" West 953.38 feet to the true point of beginning of this description; thence South 65° 42' 14" West 30.00 feet; thence North 25° 28' 16" West 598.15 feet; thence North 45° 46' 23" East 385.26 feet to a point on the Southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land Lot No. 28, Section 27, T.3S., R.5W., MDB&M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926 in Book 267, Official Records of San Mateo County at Page 348, and that portion of said right of way within Section 34 Northeasterly of San Bruno Avenue being as described in that easement from Mills Estate Inc., to the State of California dated October 23, 1924 and recorded August 8, 1925 in Book 180, Official Records of San Mateo County, at Page 149; thence along said right of way line South 25° 28' 16" East 730.13 feet; thence South 65° 42' 14" West to the point of beginning of this description containing 5.34 acres more or less.

Excepting therefrom a 35 foot strip of land as a slope easement containing 0.03 acres more or less, all of which land and access reservation, designated as Plot 16A, is identified by Airport Drawing No. CA-20695, dated July 21, 1993, attached hereto, marked Exhibit "A" and made a part hereof.

2. Effective May 1, 1994⁵, the demised Premises are amended to add that parcel of land commonly known as Plot 52 as indicated by Airport Drawing No. CA-20932, dated June, 1994, attached hereto, marked Exhibit "B" and described more particularly as follows:

Commencing at the point called Corner of Plot 52 as described in Parcel 1 is the True Point of Beginning; thence West 706.47 feet; thence South 23° 14' 16" East 430.32 feet; thence 79° 26' 25" East 120.34 feet; thence South 23° 14' 16" East 298.96 feet; thence North 70° 32' 08" East 207.31 feet; thence North 272.73 feet; thence East 104.97 feet; thence North 350.36 feet to the True Point of Beginning of this description containing 7.17 acres more or less.

All of which land and access reservation is identified by Airport Drawing CA-13799, revision 4, attached hereto, marked Exhibit "B" and made a part hereof.

3. Effective August 15, 1994, Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title interest, term of years, property, claim and demand whatsoever in, to or out of .21 acres more or less of Parcel 1 along the south side of the North Access Road, all of which land and access reservation is identified by Airport Drawing CA-20934, Contract No. 3291, dated May, 1994, attached hereto, marked Exhibit "C" and made a part hereof. After said relinquishment of the .21 acres more or less, the description of Parcel 1 is modified as indicated on Airport Drawing No. CA-20931, dated May, 1994, attached hereto, marked Exhibit "D" and

described more particularly as follows:

Commencing at the section corner common to sections 27, 28, 33 and 34, T.3S, R.5W, MDB & M; thence along the section line common to sections 27 and 34 East 1679.58 feet; thence North 953.36 to a point in the Southwesterly property of property owned by the City and County of San Francisco at San Francisco International Airport, said point being the intersection of a line parallel to and distant 953.36 feet at right angles North from the section line between said sections 27 and 34, which section line bears due East and West, and a line parallel to and distant 62.50 feet measured at right angles Northeasterly from the centerline of the original Bayshore Highway as relinquished by the State of California to the City of South San Francisco by instrument dated January 27, 1948, and recorded February 10, 1948, Volume 1450 Official Records of San Mateo County, at page 190, said point being the true point of beginning of this description; thence North $64^{\circ}31'44''$ East 154.96 feet; thence East 682.24 feet; thence North $68^{\circ}34'09''$ East 284.25 feet; thence North $68^{\circ}34'01''$ East 50.55 feet; thence North $64^{\circ}57'44''$ East 25.00 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 595.00 feet, central angle of $26^{\circ}42'49''$ and an arc length of 277.41 feet; thence South $88^{\circ}19'27''$ East 208.57 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 138.87 feet, a central angle of $38^{\circ}21'06''$ and an arc length of 92.95 feet; thence East 987.70 feet; thence along the arc of a circular curve to the right, tangent to the preceding course having a radius of 50 feet, and a central angle of $82^{\circ}34'30''$ and an arc length of 72.06 feet; thence South $7^{\circ}25'30''$ East 233.51 feet; thence along the arc of circular curve to the right tangent to the preceding course having a radius of 980.00 feet, a central angle of $7^{\circ}25'30''$ and an arc length of 127.00 feet; thence South 432.81 feet to a corner of Plot 52; thence West 706.47 feet; thence South $23^{\circ}14'16''$ East 430.32 feet; thence South $79^{\circ}26'25''$ East 120.34 feet; thence South $23^{\circ}14'16''$ East 298.96 feet; thence along the arc of a circular curve to the left, the center of said curve being South $27^{\circ}57'25''$ East 365.00 feet from the end of the preceding course, said curve having a radius of 365.00 feet, central angles of $85^{\circ}16'51''$ and an arc length of 543.28 feet; thence South $23^{\circ}14'16''$ East 318.66 feet; thence South $66^{\circ}45'44''$ West 1217.53 feet; thence North $62^{\circ}09'55''$ West 334.22 feet; thence along a line parallel to and distant 30.00 feet Northeasterly measured at right angles from the centerline of the former Bayshore Highway as described in that deed from Mills Estate Incorporated, a corporation, to the State of California, recorded August 8, 1925 in volumes 180, page 149, Official Records of San Mateo County, North $23^{\circ}14'16''$ West 1250.93 feet; thence along the arc of a circular curve to the left, said curve being distant 30.00 feet Northeasterly measures radially from the centerline of said former Bayshore Highway, tangent to the preceding course, having a radius of 10,030.00 feet, a central angle of $1^{\circ}49'15''$ and arc length of 318.75 feet to a point on the section line common to sections 27 and 34, T3S, R5W, MDB&M; thence along said section line East 35.86 feet; thence along the arc of a circular curve to the left, said curve being distant radially 62.50 feet Northeasterly from the centerline of said former Bayshore Highway, the center of said curve being South $65^{\circ}01'40''$ West 10,062.50 feet from the end of the preceding course and said curve having a radius of 10,062.50 feet, a central angle of $0^{\circ}29'56''$ and an arc length of 87.62 feet; thence North $25^{\circ}28'16''$ West 968.18 feet to the true point of beginning containing 115.05 acres, more or less.

4. It is understood and agreed by the parties hereto that as a result of the foregoing relinquishment and addition, the legal description of the remaining portion of the demised Premises shall remain the same as described in the Lease with respect to the perimeter meets and bounds as modified by the absence

of the portions which have been relinquished and the addition of Plot 52 and will comprise 129.75 acres, more or less.

5. It is understood and agreed by the parties hereto that the City, at its sole cost, will remove all pre-existing hazardous materials and remediate all soil contamination from Plot 52, in accordance with environmental law, and the Lessee shall be under no obligation to pay land rent for the Plot 52 premises until such time as Lessee can gain beneficial occupancy of this property.
6. It is understood and agreed by the parties hereto that upon completion, the City will provide Lessee with approximately 931 ± employee parking spaces in the Garage or a number equal to those being displaced as a result of the relinquishment of approximately 5.34 ± acres by Lessee and those being displaced by the relocation of the West Lot entrance for the term of the Lease. Rental for the 931 ± employee parking spaces in the Garage, equal to 5.34 acres, more or less, shall be at the same rate per acre as that in effect for an equivalent 5.34 ± acres in the Lease.
7. It is understood and agreed by the parties hereto that the City will provide Lessee with 600 additional employee parking spaces in the Garage during the term of the Lease. Said rental rate for the additional 600 employee parking spaces shall be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.
8. In addition to the 1,531 ± spaces referred to in 5 and 6 above, it is understood and agreed by the parties hereto that the City will provide Lessee with the option to rent up to 600 additional spaces in the Garage for a period of two years upon written notice from Lessee not-later-than 60 days prior to the opening of the Garage. Said rental rate for the additional employee parking spaces shall be in accordance with the per space rental rate established by the Airport's Commission for the Employee Parking Sub-Cost Center.
9. It is understood and agreed to by the parties hereto that at any time during the Term of the Lease, upon no later than 60 days written notice, Lessee may relinquish use of any or all of the 1,531 ± employee parking spaces in the Garage, or any of the additional employee parking spaces that Lessee has been assigned. Upon relinquishment of any assigned employee parking spaces in the Garage, Lessee recognizes that it shall have no further priority rights to these spaces and City, at its discretion, shall rent them to other tenants.
10. Rental for the leased Premises, as modified herein, shall be at the rate per acre currently in effect pursuant to the Lease.
11. Except as herein expressly provided, all terms, conditions and covenants agreed to be kept and observed by the parties hereto, or either of them, contained in the Lease, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Modification of Lease in triplicate by their duly authorized officers, the day and year hereunder written.

LESSOR

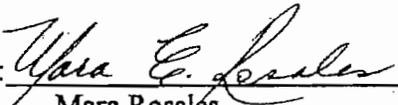
City and County of San Francisco,
a municipal corporation

APPROVED AS TO FORM:

AIRPORTS COMMISSION

LOUISE H. RENNE
CITY ATTORNEY

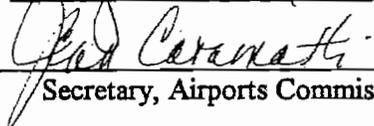
By: 
L. A. Turpen
for Director of Airports *John L. Martin*

By: 
Mara Rosales
Airports General Counsel

AUTHORIZED BY AIRPORTS COMMISSION

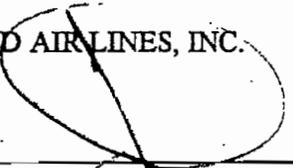
RESOLUTION NO. 92-0005- 94-0139

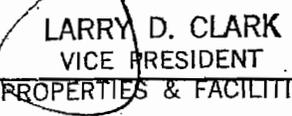
ADOPTED: June 21, 1994

ATTEST: 
Secretary, Airports Commission

LESSEE

UNITED AIRLINES, INC.

By:  (seal)

By: 
LARRY D. CLARK
VICE PRESIDENT
PROPERTIES & FACILITIES

This Lease Modification shall be accompanied by the corporate seal affixed hereto, with signatures acknowledged by a Notary Public.

BR:sm/gc
X:\Tenants\Airlines\Lease\UALLease.Mod
Revision #4 6-10-94

ATTACHMENT "I"

SAN FRANCISCO INTERNATIONAL AIRPORT / UNITED AIR LINES, INC. AGREEMENT FOR USE OF AIRPORT CONTROLLED PARKING FACILITIES

As San Francisco International Airport (the "Airport") moves forward with the Master Plan Construction Program ("Program"), the Airport recognizes that several areas currently dedicated for tenant employee parking will be displaced. United Air Lines, Inc. ("United"), as a result of the Program, will lose employee parking spaces on Plots 4, 5, 1H and 1J ("Displaced Lots"). To that end, the Airport agrees to make available, and United accepts, interim and long-term employee parking spaces to offset those United Employee parking spaces being displaced in the aforementioned areas.

Further, the Airport has requested and United has agreed, to relinquish a portion of its leasehold rights and interest in and to certain additional employee parking spaces located at the Airport in order for the Airport to construct a multi-level parking structure ("Garage"). The land to be relinquished consists of approximately $5.34 \pm$ acres of land and forms a part of United's Maintenance Operation Center ("MOC") property located at the Airport and leased to United pursuant to a Lease dated June 8, 1973, and authorized by Airports Commission Resolution No. 73-0066 ("MOC Lease"), as modified by Airports Commission Resolution No. 80-0066.

In consideration for said relinquishment and relocation from the Displaced Lots, and as an inducement for United's entering into Modification Number Two of MOC Lease dated 1994 pursuant to which United relinquishes its leasehold rights in and to the $5.34 \pm$ acres, redesignated as Plot 16A, under the MOC Lease, the Airport agrees to provide United with alternate employee parking to replace the spaces being displaced due to the construction of the Garage and relocation of the entrance to the Maintenance Operations Center ("MOC") West Lot and, upon completion of said construction, for the remaining term of the MOC Lease under the terms and conditions described below:

1. The Airport will make available to United approximately 6.38 acres (957 vehicle parking spaces) on Plot 50A (Exhibit 1) to accommodate those vehicle parking spaces being displaced as a result of United's relinquishment of 5.34 acres of the West Lot of MOC property for the construction of a parking garage by the Airport. United will have use of the aforementioned area until United's occupancy of its assigned spaces in the Garage to be located on Plot 16A (Exhibit 2). United will pay rent to the Airport in accordance with the per acreage rate currently in effect for the MOC property. Upon the completion and opening of the Garage, any spaces on Plot 50A that may be permitted for United's continued use will be based on the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.
2. Upon completion of the Garage, the Airport will make available to United 1,531 parking spaces on the ground and lowest levels to accommodate employee parking spaces being displaced from the West Lot of MOC property and other areas as a result of the Program. The rent for 931± spaces, approximately 5.34 acres, will be equal to the per rental rate, pursuant to the terms of the MOC Lease, of an equivalent $5.34 \pm$ acres charged at the per acre rental rate in effect for the MOC property. The rent for the remaining 600 spaces will

be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center. The 1,531 spaces will be made available for United's use until June 30, 2013 and such usage rights will be incorporated into Modification No. 2 of Lease 73-0066 for the MOC property.

3. In addition to the 1,531 ± parking spaces referred to in 1 and 2 above, upon written notification to Airport by United not-later-than 60 days prior to the scheduled opening of the Garage, the Airport will make available to United up to 600 additional spaces in the Garage for a period of two years. The rental rate for each additional space will be in accordance with the per space rental rate established by the Airport's Commission for the Employee Parking Sub-Cost Center.
4. United agrees that the 1,531 spaces being offered for the term of the MOC Lease plus any additional spaces that may be made available are to be used exclusively by United employees working in the following areas at the Airport:
 - (a) passenger service and ramp operations;
 - (b) air freight operations;
 - (c) aircraft maintenance and servicing (including those working in the MOC);
 - (d) local support and administration;
 - (e) flight attendants and flight crews;
 - (f) such other personnel categories as may be approved by the Director in accordance with applicable federal tax law relating to tax-exempt bonds.
5. At any time during the Term of the MOC Lease, upon not less than 60 day written notice, United may relinquish use of any or all of the 1,531± employee parking spaces in the Garage, or any of the additional employee parking spaces that United has been assigned in the Garage. United agrees, upon said relinquishment, that United shall have no further priority rights to the relinquished spaces.
6. The Airport will permit United's continued use of the Plot 1H and Plot 1J employee parking areas until required by the Airport according to the Master Plan Construction Schedule currently estimated to be available until June 30, 1998. After December 31, 1994, the rental rate for each employee parking space on Plot 1H and Plot 1J will be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.

This Agreement is intended to memorialize the terms and conditions contained herein, and to reflect the good faith commitment of the signatories hereto to recommend, endorse and take all actions necessary, including the execution of all required contractual documentation, and the issuance of required approvals to implement this Agreement.

It is understood and agreed that the parties to this Agreement require further approvals by United senior management and, for the City, by the Airports Commission and the Board of Supervisors, where required, before the terms and conditions encompassed herein will be binding and before the necessary comprehensive documents can be formalized, executed and implemented.

United Air Lines, Inc.

City and County of San Francisco

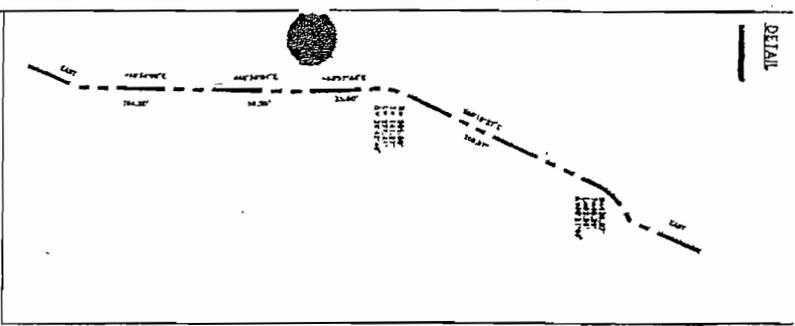
By: _____
J. Richard Street
Vice President
Airport Affairs

By: _____
Louis A. Turpen
Director of Airports

Date: _____

Date: _____

DETAIL



LEGEND

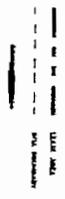
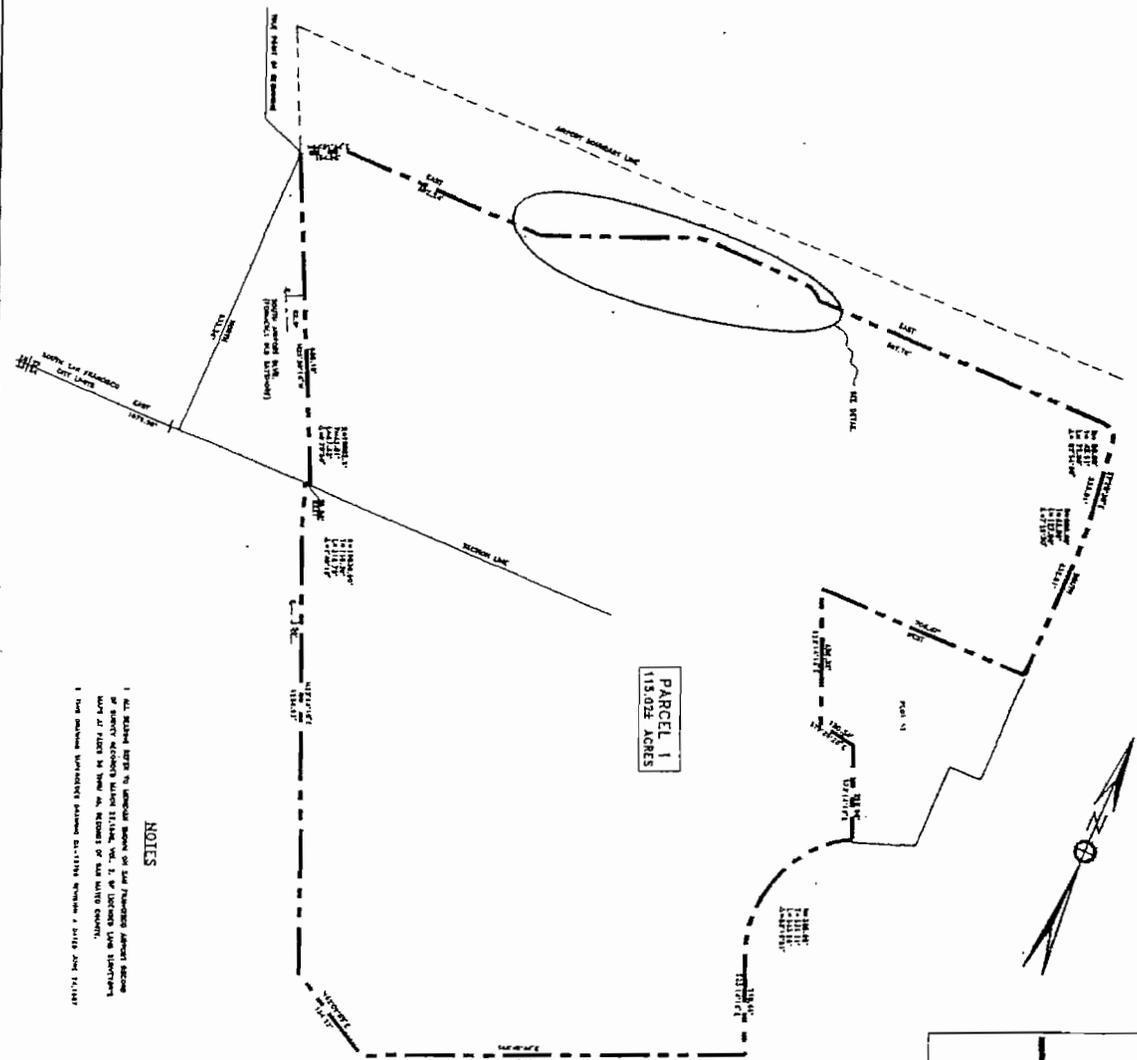


EXHIBIT D'



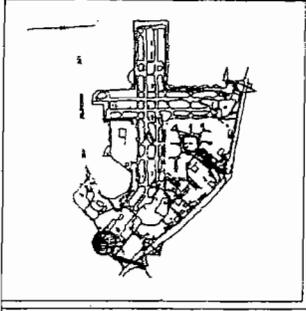
PARCEL 1
115.022 ACRES

NOTES

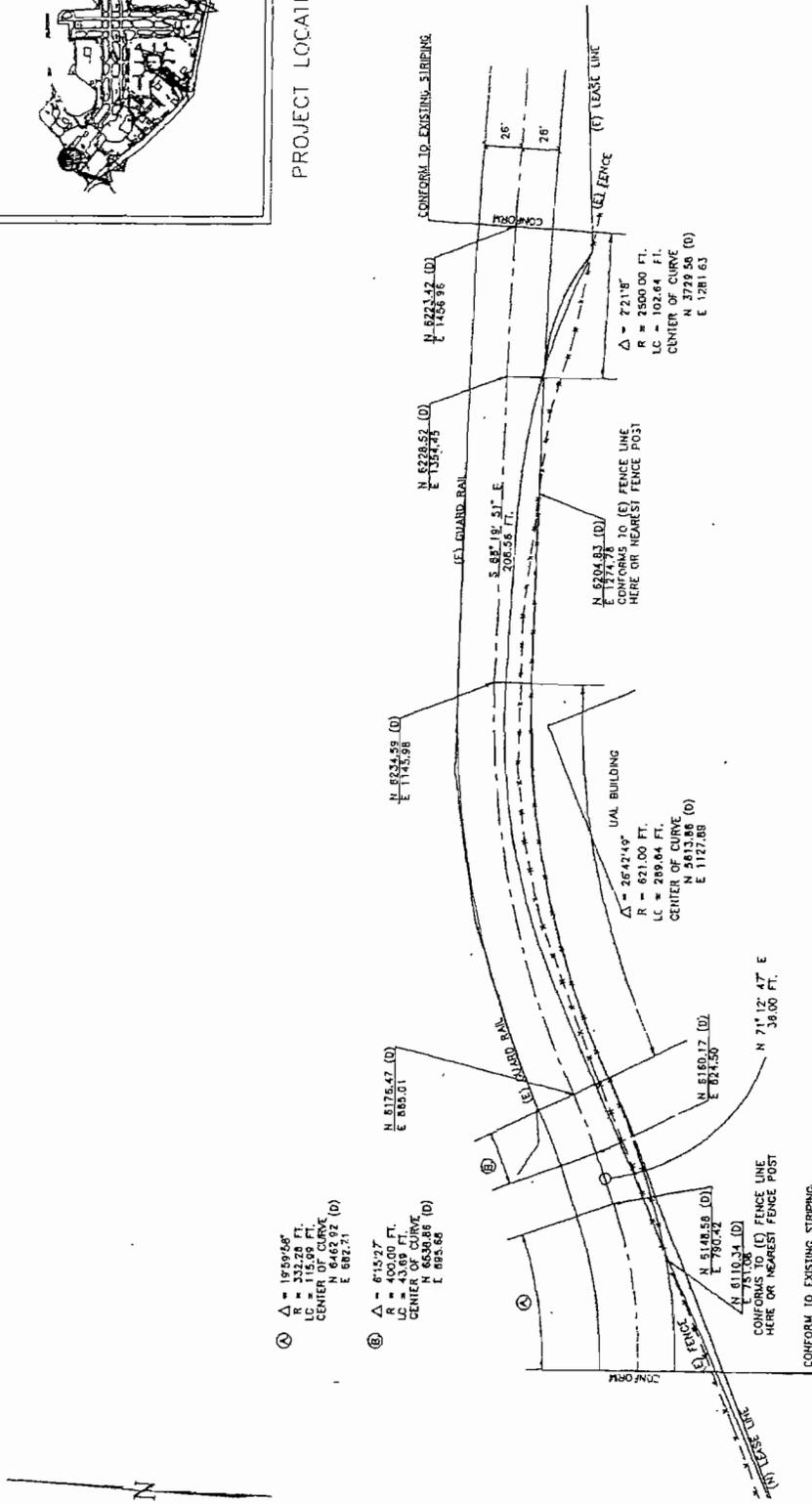
- 1. All existing roads to adjacent parcels of San Francisco Airport Section are shown as shown on the map, but are not shown as shown on the map.
- 2. The proposed improvements shown on this map are shown as shown on the map.

CITY AND COUNTY OF SAN FRANCISCO			
AIRPORTS COMMISSION			
SAN FRANCISCO INTERNATIONAL AIRPORT			
LEASE PLAN			
PARCEL 1			
DATE	BY	SCALE	NO.
11/11/51	J. H. ...	AS SHOWN	115.022
PROJECT NUMBER		CA-20931	
SHEET 1 OF 1 SHEETS			

EXHIBIT "C"



PROJECT LOCATION



CONTRACT NO. 3291
 CITY AND COUNTY OF SAN FRANCISCO
 PUBLIC WORKS COMMISSION
 SAN FRANCISCO INTERNATIONAL AIRPORT
 TASK NO. 1 - NORTH ACCESS
 ROAD WIDENING
 LAYOUT PLAN

SCALE: 1" = 120'

- NOTES:
1. DOUBLE SOLID YELLOW LINES ARE TO BE PAINTED ALONG (N) CENTERLINE
 2. DASHED LANE MARKINGS ARE OFFSET 11 FT. TO EACH SIDE OF (N) CENTERLINE
 3. SOLID WHITE LINES ARE TO BE OFFSET 22 FT. TO EACH SIDE OF (N) CENTERLINE
 4. EDGE OF SHOULDER IS OFFSET 26 FT. FROM (N) CENTERLINE

Approved 1942 by the City and County of San Francisco. These instructions, disseminated with the property of the City and County of San Francisco and are prepared by the Department of Public Works, San Francisco, California, in accordance with the provisions of the San Francisco Municipal Code, Chapter 21A, Section 21A.010.

MODIFICATION NUMBER THREE OF LEASE

THIS MODIFICATION NUMBER THREE OF LEASE (this "**Modification**"), made and entered into this 29th day of June, 2001, by and between the City and County of San Francisco, acting by and through its Airport Commission, as lessor ("**City**"), and United Airlines, Inc. a Delaware corporation, as lessee ("**Lessee**").

RECITALS

- A. Lessee and City are parties to that certain Lease No. 73-0066 dated June 18, 1973, authorized by Airport Commission Resolution No. 73-0066 and Board of Supervisors Resolution No. 31-373, as amended by certain modifications authorized by Airport Commission Resolutions No. 80-0066 and No. 94-0139 (as modified, the "**Lease**"). The Lease relates to Lessee's use and occupancy of certain property commonly known as the Maintenance Operation Center ("**MOC**") located on Parcels 1 and 2 (the "**Premises**") located at San Francisco International Airport as described in Exhibits A, B, C and D to Modification Number Two of Lease Agreement.
-
- B. Lessee and City are parties to that certain Space or Use Permit No. 580, dated July 1, 1980 ("**Permit 580**"), permitting to Lessee approximately 7,290 square feet of land adjacent to the Premises (the "**Access Space**"), for an additional exit from the employee parking lot onto San Bruno Avenue. City and Lessee now desire to incorporate the Access Space into the Premises.
- C. City is developing a Multi-Modal Center which includes among other things, expansion of Lot DD surface parking adjacent to the Premises and the extension of the AirTrain to the Multi-Modal Center and Lot DD. Such Multi-Modal Center development and Lot DD expansion requires that City acquire common access through the Premises. Lessee has agreed to relinquish a portion of the Premises comprising approximately 0.74 acres of Parcel 2 (the "**Relinquished Space**") for such common access, subject to receiving, as a modification to the Premises, additional space to replace the Relinquished Space (the "**Replacement Premises**").
- D. Pursuant to Space or Use Permit No. 3452 ("**Permit 3452**"), dated October 1, 2000, Lessee temporarily occupies certain space in the approximate location and configuration of the Replacement Premises, consisting of approximately 2.61 acres of improved land as described on Exhibit A to Permit 3452, a copy of which description is attached hereto as Attachment 1 to this Modification.

In consideration of the covenants contained herein, City and Lessee hereby agree as follows:

1. The Effective Date of this Modification is December 1, 2000.

2. As of the Effective Date, that portion of the Premises comprising Parcel 2, Lot 16B is hereby revised as follows:

(a) Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title, interest, term of years, property, claim and demand whatsoever in, to or out of the Relinquished Space; and

(b) City does hereby lease to Lessee and Lessee leases from City, as part of the Premises, the Access Space. As of the Effective Date, Permit 580 shall be deemed terminated.

The Premises, as modified pursuant to the foregoing, is more specifically described on Airport Drawing CA-20696 dated November 30, 2000 and the appurtenant legal description all attached hereto and incorporated herein as Exhibit A. From and after the Effective Date, the term "Premises" as used in the Lease and herein shall mean the Premises as modified pursuant to the foregoing.

3. Rental for the Premises shall be at the rate per acre in effect pursuant to the Lease on the Effective Date, as such rent per acre may be adjusted from time to time pursuant to the terms of the Lease.

4. City and Lessee acknowledge and agree that at such time as the Multi-Modal Center and AirTrain Extension are completely designed and constructed, the Premises shall be expanded to include the Replacement Premises in its final configuration and dimensions as determined at that time. After verification by the Airport Director and Lessee of such dimensions and configuration, the Premises shall be expanded to include the Replacement Premises by revision of Exhibit A without the requirement of formal amendment to the Lease or the approval of any party other than the Airport Director and the Lessee as to the dimensions and configuration of such space. Permit 3452 shall be deemed terminated as of the effective date of such expansion. Rental for the Premises after such expansion shall be at the rate per acre then in effect pursuant to this Lease, as such rent per acre may be adjusted from time to time pursuant to the terms of the Lease. From and after the effective date of such expansion, the term "Premises" as used in the Lease and herein shall mean the Premises as modified pursuant to the revision of Exhibit A.

5. Sections 41 through 51 ADDITIONAL TERMS. The following provisions shall be added to the Lease:

41. Tropical Hardwoods and Virgin Redwoods. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product, any virgin redwood, or any virgin redwood product.

42. Non-Discrimination in City Contracts and Benefits Ordinance. Lessee shall comply with the provisions set forth on *Appendix I*, which are hereby incorporated herein by reference.
43. Conflict of Interest. Lessee states that it is familiar with the provisions of City's Charter Section C8.105, and Section 87100 et seq. of the Government Code of the State of California and certifies that it knows of no facts in connection with this Lease which constitute a violation of said sections. It further certifies that it will make a complete disclosure to Director, if necessary, of all facts within its reasonable knowledge bearing upon any possible interest, direct or indirect, which it believes a member of Commission or other officer or employee of City presently has or will have in this Lease or in its performance. Willful failure of Lessee to make such disclosure, if any, to Commission, shall constitute grounds for termination of this Lease.
44. Drug-Free Workplace. Lessee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Any violation of this prohibition by Lessee shall constitute a default hereunder.
-
45. Compliance with Americans With Disabilities Act. Lessee acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity, whether directly or through a Lessee, must be accessible to the disabled public. Lessee shall provide the services specified in this Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Lessee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease and further agrees that any violation of this prohibition on the part of Lessee, its employees, agents or assigns shall constitute a material breach of this Lease.
46. Pesticide Prohibition. Lessee shall comply with the provisions of Section 39.9 of the San Francisco Administrative Code (the "**Pesticide Ordinance**") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage, and (iii) require Lessee to submit to Director an integrated pest management ("**IPM**") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Lessee may need to apply to the Premises during the term of this Lease, (b) describes the steps Lessee will take to meet the City's IPM Policy described in Section 39.1 of the Pesticide Ordinance, and (c) identifies, by name, title, address, and telephone number, an individual to act as the Lessee's primary IPM contact person with the City. In addition, Lessee shall comply with the requirements of Sections 39.4(a) and 39.4(b) of the Pesticide Ordinance as of January 1, 1999, and January 1, 2000, respectively. Nothing herein shall prevent Lessee, through Director, from seeking a determination from the Commission on the Environment that it is exempt from complying with certain provisions of the Pesticide Ordinance as provided in Section 39.8 thereof.

47. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Lessee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.
48. No Tobacco Advertising. Tenant shall not permit on the Premises any advertising of cigarettes or tobacco products.
49. First Source Hiring Ordinance. The City and County of San Francisco has adopted a First Source Hiring Ordinance (Board of Supervisors ordinance No. 264-98) that establishes specific requirements, procedures and monitoring for the hiring for entry level jobs of qualified, economically disadvantaged individuals (as defined by the Ordinance) by certain lessees and permittees doing business with the City. Within 30 days after the Airport Commission adopts a First Source Hiring Plan ("**Airport Plan**") in accordance with the Ordinance, Lessee shall enter into a First Source Hiring Agreement with the Airport Commission. Such agreement will require Lessee to make good faith efforts to meet targeted hiring goals of qualified, economically disadvantaged individuals for work on the subject Lease. The Agreement will also require the Lessee to provide to the Airport Commission records necessary for the Airport Commission to monitor compliance with the Ordinance.
50. Resource Efficiency Ordinance. With respect to any construction activity, including renovation or remodeling, on the Premises, Lessee shall comply with the City and County of San Francisco's Resource Efficiency Ordinance, Chapter 82 of the San Francisco Administrative Code, to the extent applicable.
51. Minimum Compensation Ordinance. Lessee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the MCO is available on the web at www.ci.sf.ca.us/MCO. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Lessee agrees to all of the following:
- (a) For each hour worked by a Covered Employee during a Pay Period on the property covered by this Lease, Lessee shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the minimum hourly gross

compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001. On January 1, 2002, Lessee shall increase the minimum hourly gross compensation to \$10.00 an hour; provided, however, that if Lessee is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code. If Lessee is required to increase the minimum gross hourly compensation to \$10.00 an hour, it shall provide the 2.5% annual increase required by the MCO for each of the next three years. For the minimum hourly gross compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001.

- (b) Lessee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to Lessee's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.
- (c) ~~Lessee understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Lessee of the terms of this Lease. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.~~
- (d) If, within 30 days after receiving written notice of a breach of this Lease for violating the MCO, Lessee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Lessee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:
 - (1) The right to charge Lessee an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;
 - (2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Lessee under this Lease;
 - (3) The right to terminate this Lease in whole or in part;
 - (4) In the event of a breach by Lessee of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

- (5) The right to bar Lessee from entering into future contracts with the City for three (3) years.

Each of the rights provided in this Subsection (d) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the City pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

- (e) Lessee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.
- (f) Lessee shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Lessee from the CITY, which communications are marked to indicate that they are to be distributed to Covered Employees.
- (g) Lessee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO.
- (h) Lessee shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.
- (i) The City may conduct random audits of Lessee. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one audit of Lessee every two years for the duration of this Lease. Nothing in this Lease is intended to preclude the City from investigating any report of an alleged violation of the MCO.
- (j) If Lessee assigns any rights under this Lease to another party, Lessee will include all provisions of this section in any such assignment, including subsections (j) and (k). Further, each such assignment shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any assignee for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an assignment and shall certify to the Department of Administrative Services that it has notified the assignee of its obligations under the MCO. If the City receives a complaint

of a possible violation of the requirements of the MCO with respect to any assignee, Lessee shall, upon written request by the City, obtain such information from such assignee as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.

- (k) If Lessee enters into any agreement for the performance of services on the property covered by this Lease, Lessee will require the contractor to comply with the requirements of the MCO. Further, each such agreement shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any contractor for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an agreement and shall certify to the Department of Administrative Services that it has notified the contractor of its obligations under the MCO. If the City receives a complaint of a possible violation of the requirements of the MCO with respect to any contractor providing services on the property covered by this Lease, Lessee shall, upon written request by the City, obtain such information from such contractor as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.

- (l) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by Lessee of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. Lessee understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (2) in the event of a breach by Lessee of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against Lessee arising from this Lease, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Lessee also understands that the MCO provides that if Lessee prevails in any such action, Lessee may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(m) If Lessee is exempt from the MCO when this Lease is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but Lessee later enters into an agreement or agreements that cause Lessee to exceed that amount in a fiscal year, Lessee shall thereafter be required to comply with the MCO under this Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Lessee and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

6. As modified hereby, the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Modification by their duly authorized officers, as of the day and year first above written.

CITY

AUTHORIZED BY AIRPORT COMMISSION

City and County of San Francisco,
a municipal corporation,
acting by and through its Airport Commission

Resolution No. 00-0440

Adopted: December 5, 2000

Attest: *Paul Caramatti*
Secretary
Airport Commission

John L. Martin
Airport Director *B*

APPROVED AS TO FORM:
LOUISE H. RENNE, City Attorney

LESSEE:

United Airlines Inc.

By *Samuel G.*
Deputy City Attorney

By: *Amos S. Kazaz*
Name: AMOS S. KAZAZ
Title: VICE PRESIDENT
CORPORATE REAL ESTATE

MS:bv
12/6/00
X:\AV\TENANTS\AIRLINES\LEASES\UA MOC mod3A.doc

Appendix I

Provisions Regarding City's Nondiscrimination Ordinance

The following provisions are incorporated into the Lease to which it is attached as if fully set forth therein:

1. Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not To Discriminate. In the performance of this Lease, Airline covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Airline, in any of Airline's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Airline.

(b) Subleases and Other Subcontracts. Airline shall include in all subleases and other subcontracts relating to the Premises a nondiscrimination clause applicable to such subtenant or other subcontractor in substantially the form of subsection (a) above. In addition, Airline shall incorporate by reference in all subleases and other subcontracts Sections 12B.2(a), 12B.2(c)-12B.2(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Airline's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Nondiscrimination in Benefits. Airline does not as of the date of this Lease and will not during the Term, in any of its operations within the City and County of San Francisco or in other locations owned by the City and County of San Francisco, including the Airport, discriminate in the provision of Non-ERISA Benefits (as defined below) between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code. Airline shall not be deemed in violation of the immediately-preceding representation and covenant if Airline is pursuing the implementation of Non-ERISA Benefits within the timeframes established by the City's Human Rights Commission consistent with the Rules of Procedure. As used above, the term "**Non-ERISA Benefits**" shall mean any and all benefits payable through benefit arrangements generally available to Airline's employees which are neither "employee welfare benefit plans" nor "employee pension benefit plans", as those terms are defined in Sections 3(1) and 3(2) of ERISA. Non-ERISA Benefits shall include, but not be limited to, all benefits

offered currently or in the future, by Airlines to its employees, the spouses of its employees or the domestic partners of its employees, that are not defined as "employee welfare benefits plans" or "employee pension benefit plans", and, which include any bereavement leave, family and medical leave, and travel discounts provided by Airline to its employees, their spouses and the domestic partners of employees.

(d) Declaration. As used below, the term "**Declaration**" shall mean the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Airline shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including the remedies provided in such Chapters. Without limiting the foregoing, Airline understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Airline and/or deducted from any payments due Airline.

(f) Contingent Application of Ordinance.

(1) Notwithstanding anything to the contrary in this Lease, Airline's obligation to comply with Sections 12B.1(b) and 12B.2(b) of the San Francisco Administrative Code and Sections 1 (c)(d), and (e) of this Appendix (collectively, the "**Benefits Provisions**"), shall be contingent as provided in this Section 1 (f). Airline and City acknowledge that a challenge to the Benefits Provisions is pending in the United States Ninth Circuit Court of Appeals in the matter of Airport Transport Association of America, et al. v. City and County of San Francisco, et al., Case Number C-97-17863CW (the "**Lawsuit**").

(2) Notwithstanding anything in this Lease to the contrary, if City, by virtue of a relevant stay, moratorium, or injunction (collectively, "**Stay**"), is not permitted to require Airline to comply with any or all portions of the Benefits Provisions, then Airline shall not be required to comply with such portion(s) of the Benefits Provisions while such Stay is in place. In the event this Lease is executed while any such Stay is in place, then, within **ten (10) days** after such Stay has been partially or totally dissolved, Airline shall submit the Declaration evidencing Airline's intention to comply with the Benefits Provisions no longer subject to a Stay. If following the submission of such Declaration, a Stay is issued by a higher court, Airline's obligation to comply with the relevant Benefits Provisions shall be suspended for so long as the Stay is operative. Any time period during which the Stay is in effect shall be excluded from the time in which Airline must comply with Benefits Provisions. In the event such higher court's Stay is later dissolved, then Airline's obligation to comply with the Benefits Provisions shall be reinstated and Airline shall proceed to comply with the Benefits Provisions.

(3) Notwithstanding anything in this Lease to the contrary, if the Appellate Court or the U.S. Supreme Court (if either party to the Lawsuit seeks review in such court) voids, limits, restricts, or otherwise strikes down all or any portion of the Benefits Provisions, then Airline shall not be obligated to comply with those portions of the Benefits Provisions voided, limited, restricted, or stricken; provided, however, if a higher court subsequently reverses or overrules such decision, then Airline shall be obligated to comply with those portions of the Benefits Provisions upheld. Following a ruling by the highest court in which either party seeks review of the Benefits Provisions, this Lease will be deemed to give full effect to such ruling, reflecting the then-current state of the law.

(4) If the Lawsuit is voluntarily dismissed by the plaintiffs prior to the matter being settled as between City and plaintiffs, then Airline shall submit the Declaration evidencing Airline's intention to comply with the Benefits Provisions within ten (10) days following such voluntary dismissal.

(5) To the extent Airline is required to comply with the Benefits Provisions pursuant to the foregoing, then Airline shall do so within the time permitted by the Human Rights Commission's "Rules of Procedure for the Nondiscrimination in Contracts: Equal Benefits Provisions of Chapter 12B of the San Francisco Administrative Code (the "Rules")," dated August 13, 1998, §II(E)(1)(a), including any extensions granted pursuant to the Rules, provided that for purposes of the Rules, "the date the contract with the City and County begins" shall be the date of Airline's latest Declaration.

(6) If Airline fails to timely comply with the provisions of this Appendix, City shall have all rights and remedies available to City under this Lease (including termination of this Lease), under the San Francisco Administrative Code and at law or in equity.

(7) In the event the parties resolve the Lawsuit by way of Settlement, Airline's obligations to comply with the Benefits Provisions shall be determined by the settlement agreement which shall take precedence over this Appendix.

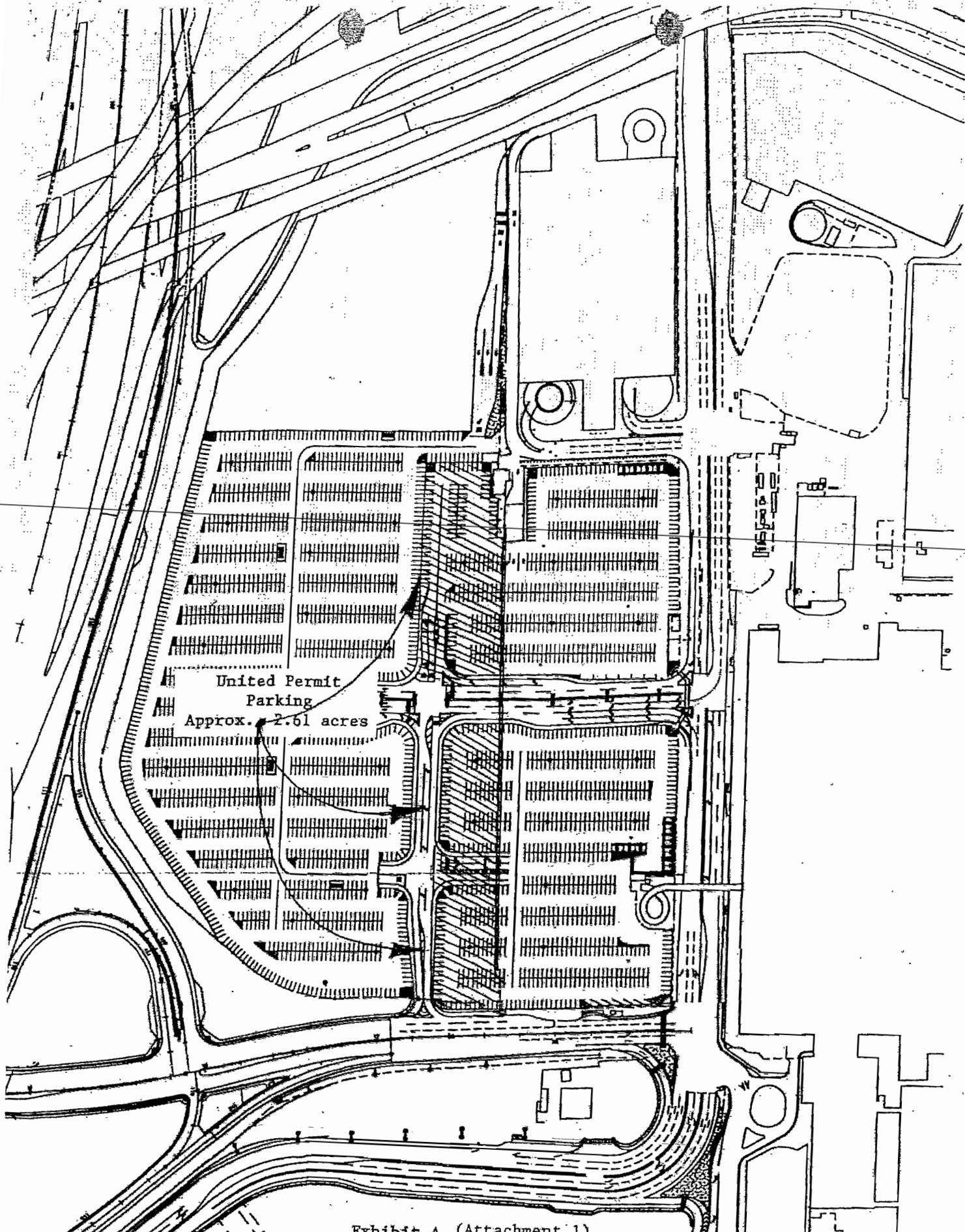
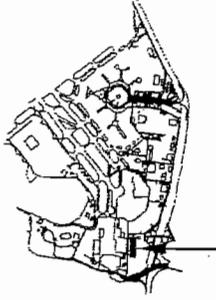


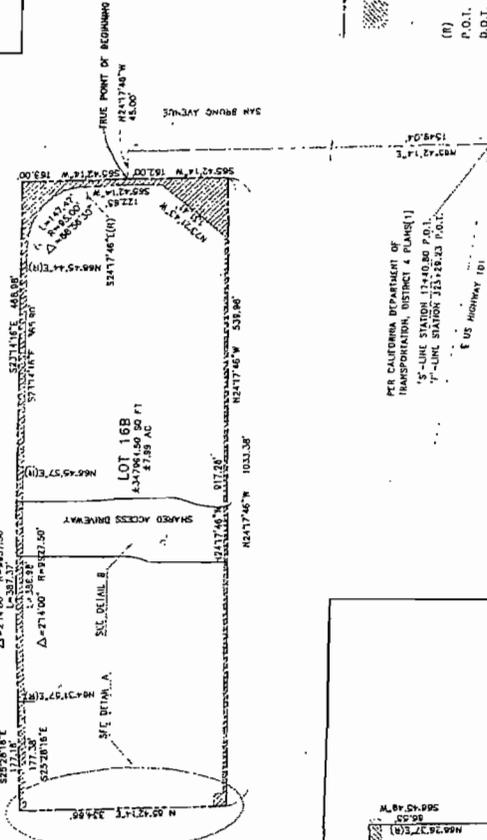
Exhibit A (Attachment 1)



LOCATION MAP



SOUTH AIRPORT BOULEVARD (FORMER BAYSHORE HIGHWAY)



LEGEND

LEASE BOUNDARY LINE

FASBLAMENT

CENTER LINE

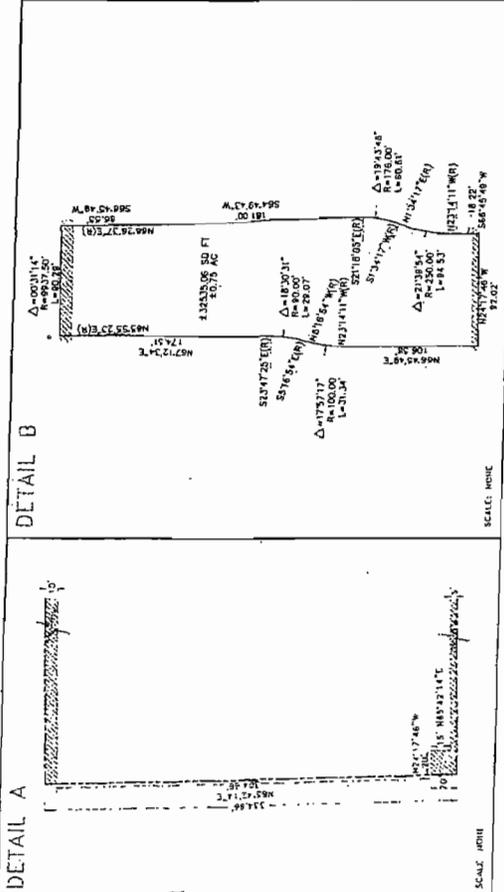
RADIAL BEARING

POINT ON TANGENT

DEPARTMENT OF TRANSPORTATION

(R)
P.O.I.
D.O.T.

- NOTES
- (1) ALL BEARINGS REFER TO MEDIUM SURROUND ON MAP OF SAN FRANCISCO AIRPORT RECORD OF SURVEY RECORDED MARCH 23, 1948, VOL. 2 OF LICENSED LAND SURVEYORS MAPS ON PAGES 39 THROUGH 46, RECORDS OF SAN MATEO COUNTY, CALIFORNIA DATED 21 JULY 1993.
 - (2) THIS DRAWING SUPPLEMENTS DRAWING CA-70886.
 - (3) REFERENCE ELECTRONIC FILE "88001146.DWG" PROVIDED BY PAUL Y. LOUIE, P.E., DATED 11/14/2000.
- HAP REFERENCE
- (1) SHEET B OF 82, SHEETS OF MAP ENTITLED "PLAN AND PROFILE OF STATE HIGHWAY 101, BETWEEN COLMA CREEK IN SOUTH SAN FRANCISCO, AND BROADWAY IN BURLINGAME", CALIFORNIA D.O.T.



CITY AND COUNTY OF SAN FRANCISCO
AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT

PLOT 16B

LEASE PLAN

NO.	DATE	BY	FOR
1	11/14/2000	PAUL Y. LOUIE	PROVIDED
2	11/14/2000	PAUL Y. LOUIE	PROVIDED
3	11/14/2000	PAUL Y. LOUIE	PROVIDED
4	11/14/2000	PAUL Y. LOUIE	PROVIDED
5	11/14/2000	PAUL Y. LOUIE	PROVIDED
6	11/14/2000	PAUL Y. LOUIE	PROVIDED
7	11/14/2000	PAUL Y. LOUIE	PROVIDED
8	11/14/2000	PAUL Y. LOUIE	PROVIDED
9	11/14/2000	PAUL Y. LOUIE	PROVIDED
10	11/14/2000	PAUL Y. LOUIE	PROVIDED

SHEET 1 OF 1 SHEETS

CA-20696 1

SAN FRANCISCO INTERNATIONAL AIRPORT

PLOT 16B

Drawing No. CA-20696 Rev. 1 dated 11/30/00

Commencing at the intersection of the center lines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, district IV as shown on Sheet 8 of 62 Sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame";

Thence along said center line of San Bruno Avenue North $65^{\circ}42'14''$ East 1549.04 feet;
Thence North $24^{\circ}17'46''$ West 45.00 feet to the True Point of Beginning of this description;

Thence South $65^{\circ}42'14''$ West 162.00 feet;

Thence North $24^{\circ}17'46''$ West 1033.38 feet;

Thence North $65^{\circ}42'14''$ East 334.66 feet to the Southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land lot No. 28 Section 27, T3S., R5W., MDB&M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926; in Book 267 Official Record of San Mateo County at page 348 and that portion of said right of way within Section 34 Northeasterly of San Bruno Avenue being described in that easement from Mills Estate Inc. to the State of California dated October 23, 1924, and recorded August 8, 1925, in Book 180, official records of San Mateo County at page 149;

Thence along said right of way South $25^{\circ}28'16''$ East 177.18 feet;

Thence along a non-tangent curve to the right having a radius 9,937.50 feet a radial line to said curve bears $N64^{\circ}31'57''E$, a central angle of $2^{\circ}14'00''$, an arc length 387.37 feet;

Thence South $23^{\circ}14'16''$ East 468.98 feet;

Thence South $65^{\circ}42'14''$ West 168.00 feet to the Point of Beginning of this description containing approximately 7.99 acres as determined by AutoCAD methods.

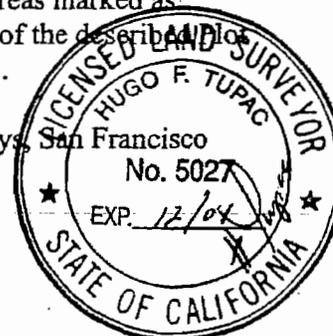
Except the interest in the portion marked as "Shared Access Driveway" as shown on Airport Commission Drawing CA 20696 Rev. 1. That portion contains approximately 0.75 acres as determined by AutoCAD methods.

Total area of Plot 16B without the "Shared Access Driveway" is 7.24 acres.

Reserving therefrom a 10 foot strip of land, 5 foot strip of land and areas marked as utility easement along the easterly, southerly and westerly perimeter of the described Plot 16 B as indicated on Airport Commission Drawing CA 20696 Rev. 1.

This document prepared by Hugo F. Tupac L.S. 5027 Chief of Surveyor, San Francisco International Airport.

END OF DESCRIPTION



MEMORANDUM OF LEASE MODIFICATION
MODIFICATION No. 4 to
MAINTENANCE BASE LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT
UNITED AIRLINES, INC.
Lease No. 73-0066

Reference is made to that certain Cure Stipulation Agreement entered into March 31, 2004, between the City and County of San Francisco acting by and through its Airport Commission ("City"), as landlord, and United Airlines, Inc. ("Lessee") and United Cogen, Inc., collectively as tenant, relating to early assumption of leases and other contracts and the settlement of other claims, in relation to In re UAL Corporation, et al, Debtors, Case No. 02-B-48191, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division. Said Cure Stipulation Agreement was approved by City's Airport Commission (Resolution No. 04-0058) on March 12, 2004, by the San Francisco Board of Supervisors (Ordinance File No. 040321) on April 13, 2004, by the Board of Directors of each of Airline and United Cogen, Inc. on March 25, 2004, and by the Bankruptcy Court on April 16, 2004. The "Effective Date" of the Cure Stipulation Agreement is April 27, 2004.

Among the provisions of the Cure Stipulation Agreement is the deemed modification of the referenced lease ("**Lease**") as follows:

1. **Option.** City grants Lessee an option to extend the term of the Lease by an additional ten (10) year period. If exercised, the term shall be extended to June 30, 2023. Lessee shall pay rent ("**Option Term Rent**") equal to the fair market value of the premises covered by the Lease, as determined by the methodology specified in Section 3 of the Lease
2. **Exercise.** To exercise the option:
 - a. Lessee shall give written notice to City of its desire to exercise the option ("**Exercise Notice**") on or before December 1, 2012.
 - b. On or before March 1, 2013, City shall give notice to Lessee of City's determination of the Option Term Rent amount ("**Rent Amount Notice**").
 - c. If Lessee is unwilling to proceed with the option term given the amount of the Option Term Rent, Lessee may withdraw its Exercise Notice within 60 days after receipt of the Rent Amount Notice by giving City notice of such withdrawal ("**Withdrawal Notice**"). If Lessee fails to give the Withdrawal Notice within the 60-day period, the Lease shall be deemed extended at the rent specified in the Rent Amount Notice. If Lessee gives the Withdrawal Notice within the specified 60-day period, the Lease shall expire on June 30, 2013.
3. **No Other Changes.** All other terms and conditions of the Lease remain the same.
4. **Effective Date.** April 27, 2004.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *me* Mayor Edwin M. Lee *me*
RE: Equipment Lease – 2013A Finance Corporation Equipment Program -
Revenue Bonds - Not to Exceed \$12,500,000
DATE: April 23, 2013

Attached for introduction to the Board of Supervisors is the resolution approving the form of and authorizing execution and delivery by the City and County of San Francisco of an Equipment Lease Supplement No. 19 (Series 2013A Bonds) between the City and County of San Francisco Finance Corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to certain equipment to be used for city purposes, a related certificate of approval and a continuing disclosure certificate; approving the issuance of lease revenue bonds by said nonprofit corporation in an amount not to exceed \$12,500,000; approving the form of the official statement and the distribution thereof in preliminary and final form; providing for reimbursement to the City and County of San Francisco of certain city expenditures incurred prior to the issuance of lease revenue bonds; and providing for the execution of documents in connection therewith.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 APR 23 PM 2:32

130376 ✓

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
Contractor Information <i>(Please print clearly.)</i>	
Name of contractor: City and County of San Francisco Finance Corporation	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
City and County of San Francisco Finance Corporation Board Members: Pamela Jue, President Arnold Laub – Chief Financial Officer Ken Cleveland - Secretary	
Contractor address: 1 Dr. Carlton B. Goodlett Place, City Hall, Room 336, San Francisco, CA 94102	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contracts: \$12,500,000
Describe the nature of the contract that was approved: Proposed issuance of Equipment Lease Revenue Bonds, Series 2013A to fund the purchase of various equipment.	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed