

File No. 210871

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 15, 2021

Board of Supervisors Meeting

Date _____

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OTHER (Use back side if additional space is needed)

- Preliminary Official Statement
- Continuing Disclosure Certificate
- First Supplement to Fiscal Agent Agreement
- Second Supplement to Fiscal Agent Agreement
- Bond Purchase Agreement
- _____
- _____
- _____
- _____
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- _____

Completed by: Linda Wong

Date September 8, 2021

Completed by: Linda Wong

Date _____

1 [Issuance of Special Tax Bonds - Community Facilities District No. 2014-1 (Transbay Transit
2 Center) - Not to Exceed \$35,000,000]

3 **Resolution authorizing the issuance and sale of one or more series of Special Tax**
4 **Bonds for City and County of San Francisco Community Facilities District No. 2014-1**
5 **(Transbay Transit Center) in the aggregate principal amount not to exceed \$35,000,000**
6 **approving related documents, as defined herein, including an Official Statement, Third**
7 **Supplement to Fiscal Agent Agreement, Bond Purchase Agreement and Continuing**
8 **Disclosure Undertaking, and determining other matters in connection therewith, as**
9 **defined herein.**

10
11 WHEREAS, On September 23, 2009, the Board of Supervisors considered and
12 adopted "Local Goals and Policies for Community Facilities Districts and Special Tax Districts"
13 ("Goals and Policies"), which Goals and Policies, among other things, relate to the formation
14 of community facilities districts under the Mello-Roos Community Facilities Act of 1982, as
15 amended, constituting Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section
16 53311) of the California Government Code ("Mello-Roos Act"); and

17 WHEREAS, On September 23, 2014, the Board of Supervisors considered and
18 adopted Resolution No. 350-14, entitled "Resolution of formation of City and County of
19 San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and
20 determining other matters in connection therewith" ("Resolution of Formation"), which
21 Resolution of Formation ordered the formation of the "City and County of San Francisco
22 Community Facilities District No. 2014-1 (Transbay Transit Center)" ("CFD") and the "City and
23 County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)
24 (Future Annexation Area)" ("Future Annexation Area"), authorized the levy of special taxes
25 upon the land within the CFD and authorized the issuance of bonds and other debt (as

1 defined in the Mello-Roos Act) secured by said special taxes for the purpose of financing
2 certain public improvements (“Facilities”), all as described in those proceedings and all
3 pursuant to the Mello-Roos Act; and

4 WHEREAS, In the Resolution of Formation, this Board of Supervisors resolved that
5 parcels within the Future Annexation Area shall be annexed to the CFD only with the
6 unanimous approval (each, a “Unanimous Approval”) of the owner or owners of each parcel or
7 parcels at the time that parcel or those parcels are annexed, without any requirement for
8 further public hearings or additional proceedings; and

9 WHEREAS, Pursuant to Resolution No. 2-15, which was approved by the Board of
10 Supervisors on January 13, 2015, and signed by the Mayor on January 20, 2015 (“Original
11 Resolution of Issuance”), the Board of Supervisors authorized the issuance of up to
12 \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

13 WHEREAS, In the Original Resolution of Issuance, the Board of Supervisors approved
14 the form of a fiscal agent agreement and directed the Director of the Office of Public Finance
15 to return to the Board of Supervisors with a recommendation as to the method for selling one
16 or more series of the bonds, whether competitive or negotiated, and for approval of all related
17 sales documentation; and

18 WHEREAS, Pursuant to Resolution No. 247-17, which was approved by the Board of
19 Supervisors on June 13, 2017, and signed by the Mayor on June 22, 2017 (“First
20 Supplemental Resolution of Issuance”), and a Fiscal Agent Agreement, dated as of
21 November 1, 2017 (“Master Fiscal Agent Agreement”), by and between the City and Zions
22 Bancorporation, National Association (formerly known as Zions Bank, a Division of ZB,
23 National Association) (“Fiscal Agent”), the Board of Supervisors previously issued the
24 following special tax bonds on behalf of the CFD (“2017 Bonds”): City and County of
25 San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special

1 Tax Bonds, Series 2017A (Federally Taxable) and City and County of San Francisco
2 Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series
3 2017B (Federally Taxable - Green Bonds); and

4 WHEREAS, Under the Original Resolution of Issuance as supplemented by Resolution
5 No. 419-18 ("Second Supplemental Resolution of Issuance"), and the Master Fiscal Agent
6 Agreement, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of
7 February 1, 2019 ("First Supplement to Fiscal Agent Agreement"), the Board of Supervisors
8 subsequently issued the following special tax bonds on behalf of the CFD ("2019 Bonds"): City
9 and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit
10 Center) Special Tax Bonds, Series 2019A (Federally Taxable), and City and County of
11 San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special
12 Tax Bonds, Series 2019B (Federally Taxable - Green Bonds); and

13 WHEREAS, Under the Original Resolution of Issuance as supplemented by Resolution
14 No. 172-20 ("Third Supplemental Resolution of Issuance"), and the Master Fiscal Agent
15 Agreement, as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as
16 of May 1, 2020 ("Second Supplement to Fiscal Agent Agreement"), the Board of Supervisors
17 subsequently issued the following special tax bonds on behalf of the CFD ("2020 Bonds"): City
18 and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit
19 Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds); and

20 WHEREAS, The Board of Supervisors now wishes to further supplement the Original
21 Resolution of Issuance to provide for the issuance of one or more additional series of special
22 tax bonds on a parity basis with the 2017 Bonds, the 2019 Bonds and the 2020 Bonds to
23 finance a portion of the Facilities and related costs and expenses; and

24 WHEREAS, There has been submitted to this Board of Supervisors a form of a Third
25 Supplement to the Fiscal Agent Agreement between the City and the Fiscal Agent ("Third

1 Supplement”; together with the Master Fiscal Agent Agreement, the First Supplement and the
2 Second Supplement, the “Fiscal Agent Agreement”), which supplements the Master Fiscal
3 Agent Agreement for the purposes of issuing one or more additional series of special tax
4 bonds, and this Board of Supervisors with the aid of its staff has reviewed the Third
5 Supplement and found it to be in proper order; and

6 WHEREAS, There has also been submitted to this Board of Supervisors a form of
7 Preliminary Official Statement in connection with the marketing of such bonds and this Board
8 of Supervisors, with the aid of its staff, has reviewed the Preliminary Official Statement to
9 assure disclosure of all material facts relating to such bonds; and

10 WHEREAS, The Board of Supervisors has obtained and disclosed in the staff report for
11 this matter the information required to be disclosed by Government Code, Section 5852.1;
12 and

13 WHEREAS, All conditions, things and acts required to exist, to have happened and to
14 have been performed precedent to and in the issuance of the special tax bonds and the levy
15 of the special taxes as contemplated by this Resolution and the documents referred to herein
16 exist, have happened and have been performed in due time, form and manner as required by
17 the laws of the State of California, including the Mello-Roos Act; now, therefore, be it

18 RESOLVED, That the foregoing recitals are true and correct; and, be it

19 FURTHER RESOLVED, That pursuant to the Mello-Roos Act, this Resolution and the
20 Fiscal Agent Agreement, one or more series of special tax bonds, in an aggregate principal
21 amount not to exceed \$35,000,000, are hereby authorized to be issued (collectively, “Bonds”);
22 and, be it

23 FURTHER RESOLVED, That this Board of Supervisors hereby finds that the issuance
24 of the Bonds is in compliance with the Mello-Roos Act and applicable provisions of the Goals
25

1 and Policies. More specifically, this Board of Supervisors hereby makes the following
2 determinations:

3 (i) The rate and method of apportionment of special taxes for the District is in
4 compliance with the Goals and Policies.

5 (ii) Section 53345.8 of the Mello-Roos Act requires, with certain exceptions, that
6 the value of the real property subject to special taxes levied in the CFD must be at least
7 three times the principal amount of the Bonds and the principal amount of all other
8 bonds that will be outstanding following issuance of the Bonds that are secured by a
9 special tax levied pursuant to the Mello-Roos Act on property within the CFD or a
10 special assessment levied on property within the CFD, and this Board of Supervisors
11 hereby determines that the assessed value of the property within the CFD is at least
12 three times (i) the maximum initial principal amount of the Bonds authorized by this
13 Resolution and (ii) the outstanding principal amount of all other outstanding bonds that
14 are secured by a special tax or special assessment levied on property within the CFD;
15 and, be it

16 FURTHER RESOLVED, That the Board of Supervisors hereby approves the form of
17 the Third Supplement, in substantially the form on file with the Clerk of the Board of
18 Supervisors in File No. 210871; each of the Mayor, the Controller and the Director of the
19 Office of Public Finance, or such other official of the City as may be designated by such
20 officials (each, an "Authorized Officer"), is hereby authorized and directed to execute and
21 deliver, and the Clerk of the Board of Supervisors is hereby authorized and directed to attest
22 to, the Third Supplement in substantially the form on file with the Clerk of the Board of
23 Supervisors in File No. 210871, together with such additions or changes as are approved by
24 such Authorized Officer upon consultation with the City Attorney and the City's co-bond
25 counsel, including such additions or changes as are necessary or advisable to permit the

1 timely issuance, sale and delivery of the Bonds; the approval of such additions or changes
2 shall be conclusively evidenced by the execution and delivery by an Authorized Officer of the
3 Third Supplement; the proceeds of the Bonds shall be used as set forth in the Fiscal Agent
4 Agreement; the terms and provisions of the Third Supplement, as executed, are incorporated
5 herein by this reference as if fully set forth herein; and, be it

6 FURTHER RESOLVED, That this Board of Supervisors hereby approves the Official
7 Statement prepared in connection with the Bonds in the form on file with the Clerk of the
8 Board of Supervisors in File No. 210871, together with any changes therein or additions
9 thereto deemed advisable by an Authorized Officer after consultation with the City's disclosure
10 counsel; the Board hereby approves and authorizes the distribution by the Underwriter
11 (defined below) of the Bonds of the Preliminary Official Statement to prospective purchasers
12 of the Bonds, and authorizes and directs an Authorized Officer on behalf of the City to deem
13 the Preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities
14 Exchange Act of 1934 ("Rule") prior to its distribution to prospective purchasers of the Bonds;
15 the execution of the final Official Statement, which shall include then current financial
16 information regarding the CFD and such other changes and additions thereto deemed
17 advisable by an Authorized Officer and such information permitted to be excluded from the
18 Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the
19 approval of the Official Statement by the City; and, be it

20 FURTHER RESOLVED, That this Board of Supervisors hereby approves the form of
21 the continuing disclosure undertaking ("Continuing Disclosure Undertaking") with respect to
22 the Bonds in the form thereof attached to the Official Statement on file with the Clerk of the
23 Board of Supervisors in File No. 210871; an Authorized Officer is hereby authorized and
24 directed to complete and execute the Continuing Disclosure Undertaking on behalf of the City
25

1 with such changes, additions or deletions as may be approved by the Authorized Officer in
2 consultation with the City's disclosure counsel; and, be it

3 FURTHER RESOLVED, That the form of the Bond Purchase Agreement ("Purchase
4 Contract") providing for the sale of the Bonds by the City to Stifel Nicolaus & Company, Inc.
5 and Piper Sandler & Company and any other investment banking firms identified by the
6 Director of the Office of Public Finance, as underwriters (collectively, "Underwriter"), on file
7 with the Clerk of the Board in File No. 210871 is hereby approved and each of the Authorized
8 Officers is hereby authorized to execute the Purchase Contract in the form so approved, with
9 such additions thereto and changes therein as are necessary to conform the Purchase
10 Contract to the dates, amounts and interest rates applicable to the Bonds as of the sale date
11 or as are approved by an Authorized Officer upon consultation with the City Attorney and the
12 City's co-bond counsel; provided that the interest rate borne by each series of Bonds shall not
13 exceed the maximum rate permitted by law and the maximum amount of Underwriter's
14 discount on the sale of each series of Bonds may not exceed 1% of the par amount of such
15 series of Bonds; approval of such additions and changes shall be conclusively evidenced by
16 the execution and delivery of the Purchase Contract by an Authorized Officer; this Board of
17 Supervisors hereby finds that sale of the Bonds to the Underwriter at a negotiated sale
18 pursuant to the Purchase Contract will result in a lower overall cost than would be achieved
19 by selling the Bonds utilizing competitive bidding; and, be it

20 FURTHER RESOLVED, That the Bonds shall be prepared, executed and delivered to
21 the Fiscal Agent for authentication, all in accordance with the terms of the Fiscal Agent
22 Agreement and the Purchase Contract; the Fiscal Agent, an Authorized Officer and other
23 responsible officers of the City are hereby authorized and directed to take such actions as are
24 required to cause the delivery of the Bonds upon receipt of the purchase price thereof; and,
25 be it

1 FURTHER RESOLVED, That the Director of the Office of Public Finance is hereby
2 authorized to determine, after consultation with the City’s co-bond counsel, municipal advisor
3 and the Underwriter, (i) the name of the Bonds, (ii) whether all or a portion of one or more
4 series of Bonds shall be designated as “green bonds,” (iii) the final principal amount of each
5 series of the Bonds and (iv) whether each series of the Bonds will be issued as tax-exempt or
6 taxable bonds; and, be it

7 FURTHER RESOLVED, That the Director of the Office of Public Finance is hereby
8 directed, from time to time in her discretion, to cause to be recorded one or more consolidated
9 maps of the CFD reflecting all prior modifications, amendments, and annexations pursuant to
10 Section 3113.5 of the Streets & Highways Code; and, be it

11 FURTHER RESOLVED, That all actions heretofore taken by the officers and agents of
12 the City (including, but not limited to, the Authorized Officers) with respect to the
13 establishment of the CFD, the annexation of properties to the CFD, the levy of the special tax
14 and the issuance of the Bonds are hereby approved, confirmed and ratified, and the
15 appropriate officers of the City are hereby authorized and directed to do any and all things and
16 take any and all actions and execute any and all certificates, agreements and other
17 documents, which they, or any of them, may deem necessary or advisable in order to
18 accomplish the purposes of this Resolution and consummate the lawful issuance and delivery
19 of the Bonds in accordance with this Resolution, any determination authorized by this
20 Resolution, and any certificate, agreement, and other document described in the documents
21 herein approved; all actions to be taken by an Authorized Officer, as defined herein, may be
22 taken by such Authorized Officer or any designee, with the same force and effect as if taken
23 by the Authorized Officer; and, be it

1 FURTHER RESOLVED, That this Resolution shall take effect upon its adoption.

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

By: /s/ Mark D. Blake
Mark D. Blake
Deputy City Attorney

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THIRD SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of November 1, 2021

RELATING TO

**\$ _____
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
(FEDERALLY TAXABLE - GREEN BONDS)**

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THIRD SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS THIRD SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of November 1, 2021 (the "**Third Supplement to Fiscal Agent Agreement**"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "**CFD**"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "**Fiscal Agent**");

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the "**Board of Supervisors**") previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD, to authorize the levy of special taxes ("**Special Taxes**") upon the land within the CFD and to issue bonds secured by the Special Taxes for financing certain public improvements ("**Facilities**"), all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015 (the "**Original Resolution of Issuance**"), the Board of Supervisors authorized the issuance of up to \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 247-17 (the "**First Supplemental Resolution of Issuance**"), and a Fiscal Agent Agreement, dated as of November 1, 2017 (the "**Master Fiscal Agent Agreement**"; as supplemented, the "**Agreement**"), the City previously issued the following special tax bonds on behalf of the CFD (collectively, the "**2017 Bonds**");

- (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), and
- (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds); and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 419-18 (the "**Second Supplemental Resolution of Issuance**"), and the Master Fiscal Agent Agreement, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019 (the "**First Supplement to Fiscal Agent Agreement**"), the City previously issued the following special tax bonds on behalf of the CFD (collectively, the "**2019 Bonds**") as Parity Bonds and Related Parity Bonds:

- (i) \$33,655,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable), and
- (ii) \$157,310,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds); and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 172-20 (the “**Third Supplemental Resolution of Issuance**”), and the Master Fiscal Agent Agreement, as supplemented by a Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (the “**Second Supplement to Fiscal Agent Agreement**”), the City previously issued the \$81,820,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds) on behalf of the CFD (the “**2020B Bonds**”) as Parity Bonds and Related Parity Bonds; and

WHEREAS, the City wishes to provide for the issuance of a series of Parity Bonds as Related Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the CFD under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable - Green Bonds)” (the “**2021B Bonds**); and

WHEREAS, Proceeds of the 2021B Bonds are expected to be used to finance the following improvements (the “**Transbay Facilities**”): (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Salesforce Transit Center building and associated systems and (ii) the planning, design, engineering and construction of open space on the roof of the Salesforce Transit Center; and

WHEREAS, under the JCFA, the City is generally obligated to make available approximately 82.6% of the Special Tax Proceeds (as defined in the JCFA) to finance the Transbay Facilities and to cause the deposit of bond proceeds allocable to contribute toward the cost of the Transbay Facilities into the Allocated Bonds Proceeds Account; and

WHEREAS, the City intends the deposit of Proceeds of the 2021B Bonds into the Allocated Bond Proceeds Account to meet its obligation to make available approximately 82.6% of the Special Tax Proceeds to finance the Transbay Facilities; and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the issuance of Parity Bonds, without the consent of any Owners, but with the written consent of the Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, the Fiscal Agent has received an opinion of counsel that this Third Supplement to Fiscal Agent Agreement, to the extent it amends the Master Fiscal Agent Agreement as described in the preceding Whereas clause, is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, on September 14, 2021, the Board of Supervisors adopted Resolution No. _____ (the “**Fourth Supplemental Resolution of Issuance**”; together with the Original Resolution of Issuance, the First Supplemental Resolution of Issuance, the Second Supplemental Resolution of Issuance and the Third Supplemental Resolution of Issuance, the “**Resolution of Issuance**”) authorizing the issuance of the 2021B Bonds for and on behalf of the CFD (which Fourth Supplemental Resolution of Issuance was signed by the Mayor on _____, 2021); and

WHEREAS, in order to provide for the authentication and delivery of the 2021B Bonds, to establish and declare the terms and conditions upon which the 2021B Bonds are to be issued and to secure the 2021B Bonds by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds and the outstanding 2019 Bonds, the Board of Supervisors has authorized the execution and delivery of this Third Supplement to Fiscal Agent Agreement; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this Third Supplement to Fiscal Agent Agreement to provide for the issuance of the 2021B Bonds hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of Proceeds of the 2021B Bonds, the disposition of the special taxes securing the 2021B Bonds and the administration and payment of the 2021B Bonds; and

WHEREAS, the City has determined that all acts and proceedings required by law and the Master Fiscal Agent Agreement necessary to make the 2021B Bonds, when executed by the City, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Third Supplement to Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Third Supplement to Fiscal Agent Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Authorization. Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this Third Supplement to Fiscal Agent Agreement and has taken all actions necessary to authorize the execution of this Third Supplement to Fiscal Agent Agreement by the officers and persons signing it.

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2021B Bonds shall be secured by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds, 2019 Bonds and 2020B Bonds.

In addition, as Related Parity Bonds, the 2021B Bonds shall be secured by a first pledge of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds, the 2019 Bonds, the 2020B Bonds, the 2021B Bonds and all Related Parity Bonds as provided in the Agreement and in the Act until all of the 2017 Bonds, the 2019 Bonds, the 2020B Bonds, the 2021B Bonds and all related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Section 3. Supplement to Master Fiscal Agent Agreement. In accordance with the provisions of Section 8.01(v) of the Master Fiscal Agent Agreement, the Master Fiscal Agent Agreement is hereby amended by adding a supplement thereto consisting of new articles to be designated as Article XVI, XVII and XVIII. Such Articles shall read in their entirety as follows:

ARTICLE XVI

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2021B BONDS; EQUAL SECURITY

Section 16.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 16.01 shall, for all purposes of Articles XVI, XVII and XVIII and for other purposes of this Agreement, to the extent applicable, have the respective meanings specified in this Section 16.01. All terms used in Articles XVI, XVII and XVIII and not otherwise defined in this Section 16.01 shall have the respective meanings given to such terms in Section 1.03 of the Agreement.

“**Closing Date**” means the date of initial issuance and delivery of the 2021B Bonds hereunder.

“**Interest Payment Date**” for the 2021B Bonds means March 1 and September 1 of each year, commencing March 1, 2022.

“**Original Purchaser**” and “**Participating Underwriter**” means [to come], as the first purchasers of the 2021B Bonds from the City.

“**2017 Bonds**” has the meaning given that term in the Recitals.

“**2017A Bonds**” has the meaning given that term in the Recitals.

“2017B Bonds” has the meaning given that term in the Recitals.

“2019 Bonds” has the meaning given that term in the Recitals.

“2019A Bonds” has the meaning given that term in the Recitals.

“2019B Bonds” has the meaning given that term in the Recitals.

“2020B Bonds” has the meaning given that term in the Recitals.

“2021B Bonds” means the Bonds so designated and authorized to be issued under Section 17.01 hereof.

“2021B Capitalized Interest Account” means the account within the Bond Fund that is established pursuant to Section 18.02.

“2021B Costs of Issuance Fund” means the fund designated the “2021B Costs of Issuance Fund” which fund is established pursuant to Section 17.03.

2021B Term Bonds” means the 2021B Bonds maturing on September 1, _____, September 1, _____ and September 1, _____.

Section 16.02. Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE XVII

ISSUANCE OF 2021B BONDS

Section 17.01. Terms of 2021B Bonds.

(A) Principal Amount; Designation. The 2021B Bonds shall be designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable - Green Bonds),” shall be issued in the aggregate principal amount of _____ Dollars (\$_____) and are hereby authorized to be issued by the City under and subject to the Resolution of Issuance, the Act, other applicable laws of the State of California and the terms of the Agreement.

(B) Maturity Dates; Interest Rates. The 2021B Bonds shall be dated the Closing Date, issued in fully registered form without coupons in denominations of \$5,000, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

| <u>Maturity</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|---|-----------------------------------|--------------------------------|
|---|-----------------------------------|--------------------------------|

(T)=2021B Term Bond

(C) Form; Denominations; Authentication. The 2021B Bonds shall be issued as fully registered Bonds without coupons. The 2021B Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2021B Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

The 2021B Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the form set forth in Exhibit I attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

(D) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the 2021B Bonds, be imprinted on the 2021B Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2021B Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2021B Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(E) Interest. The 2021B Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all 2021B Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2021B Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2021B Bond, interest is in default thereon, such 2021B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2021B Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021B Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2021B Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2021B Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2021B Bonds at the Principal Office of the Fiscal Agent. All 2021B Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2021B Bonds and issue a certificate of destruction of such Bonds to the City.

Section 17.02. Other Terms of the Bonds. Except as otherwise set forth in this Article XVII, Sections 2.05-2.10 shall govern the 2021B Bonds.

Section 17.03. Redemption of 2021B Bonds.

(A) Optional Redemption. The 2021B Bonds maturing on or after September 1, ____, are subject to redemption prior to their stated maturities, on any

date on and after September 1, _____, in whole or in part, at a redemption price equal to the principal amount of the 2021B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(B) Mandatory Sinking Fund Redemption. The 2021B Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2021B Bonds Maturing September 1, _____

| Sinking Fund Redemption Date <u>(September 1)</u> | Principal Amount <u>Subject to Redemption</u> |
|---|--|
|---|--|

* Maturity

2021B Bonds Maturing September 1, _____

| Sinking Fund Redemption Date <u>(September 1)</u> | Principal Amount <u>Subject to Redemption</u> |
|---|--|
|---|--|

* Maturity

2021B Bonds Maturing September 1, _____

| Sinking Fund Redemption Date <u>(September 1)</u> | Principal Amount <u>Subject to Redemption</u> |
|---|--|
|---|--|

* Maturity

Provided, however, if some but not all of the 2021B Term Bonds have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2021B Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

(C) Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 18.06(F) shall be used to redeem 2021B Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D)(i), among series and maturities as provided in Section 2.03(D)(iii), at a redemption price (expressed as a percentage of the principal amount of the 2021B Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, ____ | % |
| On September 1, ____ and March 1, v | |
| On September 1, v and March 1, ____ | |
| On September 1, ____ and any Interest Payment Date thereafter | |

(D) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under Section 17.03 (A) and (C) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 17.03, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2021B Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2021B Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2021B Bonds were to be redeemed in accordance with this Agreement. Any 2021B Bonds purchased pursuant to this Section 17.03(E) shall be treated as outstanding 2021B Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(F) Redemption Procedure by Fiscal Agent. The provisions of Section 2.03(D) shall govern the procedure for redemption of the 2021B Bonds.

(G) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2021B Bonds so called for redemption shall have been deposited in the Bond Fund, such 2021B Bonds so called shall cease to be entitled to any benefit under the Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All 2021B Bonds redeemed by the Fiscal Agent under this Section 17.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2021B Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 17.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the Closing Date relating to the 2021B Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this Third Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2021B Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2021B Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE XVIII

ISSUE OF 2021B BONDS

Section 18.01. Issuance of 2021B Bonds. Upon the execution and delivery of the Third Supplement to Fiscal Agent Agreement and satisfaction of the requirements for issuance of Parity Bonds under Section 3.06, the City shall execute and deliver the 2021B Bonds in the aggregate principal amount set forth in Section 17.01 to the Fiscal Agent for authentication and delivery to the Original Purchaser thereof upon receipt by the Fiscal Agent of an Officer's Certificate requesting authentication and delivery.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2021B Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the Proceeds of the 2021B Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2021B Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2021B Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2021B Bonds.

Section 18.02. Application of Proceeds of Sale of 2021B Bonds. The Proceeds of the 2021B Bonds received from the Original Purchaser in the amount of \$_____ (which is equal to the principal amount of the 2021B Bonds, [plus a premium of \$____], less an underwriter's discount of \$_____), shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$_____ into the 2021B Costs of Issuance Fund;
- (ii) \$_____ into the Reserve Fund;
- (iii) \$_____ into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2021B Capitalized Interest Account, which is hereby established); and
- (iv) \$_____ into the Allocated Bond Proceeds Account maintained and administered by the Fiscal Agent in accordance with Section 4.07 of the Master Fiscal Agent Agreement.

Amounts on deposit in the 2021B Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2021B Bonds on March 1, 2022 [**confirm**]. When the amount in the 2021B Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Section 18.03. 2021B Costs of Issuance Fund.

(A) Establishment of 2021B Costs of Issuance Fund. The 2021B Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 18.02. Moneys in the 2021B Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the 2021B Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2021B Bonds, as set forth in a requisition substantially in the form of Exhibit J hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the 2021B Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the 2021B Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the 2021B Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2017A Improvement Account.

[CONFIRM AND UPDATE FOR GREEN BONDS] Section 18.04. Limitation on Use of 2021B Bond Proceeds. Because the 2021B Bonds have been designated as Green Bonds, Proceeds of the 2021B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs of the Transbay Facilities. In the event that any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Salesforce Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative at the following address:

The Climate Bonds Initiative
72 Muswell Hill Place, London, N10 3RR, United Kingdom
Email: info@climatebonds.net
Attn: Head of Certification

Section 4. Attachment of Exhibit I. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit I setting forth the form of the 2021B Bonds, which shall read substantially as set forth in Appendix 1 which is attached hereto and by this reference incorporated herein.

Section 5. Attachment of Exhibit J. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit J, which shall read substantially as set forth in Appendix 2 which is attached hereto and by this reference incorporated herein.

Section 6. Limitation on Principal Amount of Parity Bonds. Notwithstanding the provisions of Section 5.12 of the Master Fiscal Agent Agreement, following the issuance of the 2021B Bonds, the City will not issue more than \$_____ initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 7. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 8. Conflict with Act. In the event of a conflict between any provision of this Third Supplement to Fiscal Agent Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9. Conclusive Evidence of Regularity. 2021B Bonds issued pursuant to this Third Supplement to Fiscal Agent Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 10. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement. All representations, covenants, warranties and other provisions of the Master Fiscal Agent Agreement, unless specifically amended, modified or supplemented by this Third Supplement to Fiscal Agent Agreement, are hereby confirmed as applicable to this Third Supplement to Fiscal Agent Agreement. In the event of any conflict between the provisions of this Third Supplement to Fiscal Agent Agreement and the Master Fiscal Agent Agreement, the provisions of this Third Supplement to Fiscal Agent Agreement shall govern.

Section 11. Counterparts. This Third Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 12. Electronic Signatures. Any signature (including any electronic symbol or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record) hereto or to any other certificate, agreement or document related to this transaction, and any contract formation or record-keeping through electronic means shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the California Uniform Electronic Transaction Act, Government Code Section 16.5, or any similar state law, and the parties hereby waive any objection to the contrary.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Third Supplement to Fiscal Agent Agreement to be executed as of the date first written above..

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

APPENDIX 1

**EXHIBIT I
FORM OF 2021B BOND**

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BOND, SERIES 2021B
(FEDERALLY TAXABLE - GREEN BONDS)**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

_____, 2021

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2022, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing March 1, 2022 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal

Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$81,820,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented, including by Resolution No. _____ of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable - Green Bonds)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented, including by a Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (as supplemented, the "Agreement"), between the City and the Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable from Special Tax Revenues (as defined in the Agreement) on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement):

(i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) (the "2017A Bonds"),

(ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) (the "2017B Bonds"; together with the 2017A Bonds, the "2017 Bonds"),

(iii) \$33,665,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable) (the "2019A Bonds"),

(iv) \$157,310,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds) (the "2019B Bonds"; together with the 2019A Bonds, the "2019 Bonds"), and

(v) \$81,820,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds) (the "2020B Bonds").

In addition, the Bonds, the 2017 Bonds, the 2019 Bonds and the 2020B Bonds constitute “Related Parity Bonds” under the Agreement and are secured on a parity basis by a first pledge of all moneys deposited in the Reserve Fund.

The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, ____, are subject to redemption prior to their stated maturities, on any date on and after September 1, ____, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Bonds Maturing September 1, _____

| Sinking Fund Redemption Date (<u>September 1</u>) | Principal Amount <u>Subject to Redemption</u> |
|---|--|
|---|--|

* Maturity

Bonds Maturing September 1, _____

| Sinking Fund Redemption Date (<u>September 1</u>) | Principal Amount <u>Subject to Redemption</u> |
|---|--|
|---|--|

* Maturity

Bonds Maturing September 1, _____

Sinking Fund
Redemption Date
(September 1)

Principal Amount
Subject to Redemption

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, ____ | % |
| On September 1, ____ and March 1, ____ | |
| On September 1, ____ and March 1, ____ | |
| On September 1, ____ and any Interest Payment Date thereafter | |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal

Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be to be signed by the manual signature of its Mayor and countersigned by the signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX 2

EXHIBIT J

\$ _____
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
(FEDERALLY TAXABLE - GREEN BONDS)

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM 2021B COSTS OF ISSUANCE FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city and county duly organized and existing under the Constitution and the laws of the State of California (the "City"), and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), which agreement has been supplemented, including by the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (the "Third Supplement"; together with the Master Fiscal Agent Agreement as previously supplemented, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent;

(iii) Under Section 18.03 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2021B Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the 2021B Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| PAYEE NAME AND ADDRESS | PURPOSE OF OBLIGATION | AMOUNT |
|-------------------------------|------------------------------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

APPENDIX A

The Resolution provides that the Bonds are payable from and secured by a voter-approved dedicated property tax levy on all taxable property in the City, and the City is empowered under the law to set such tax rate for the Bonds at the level needed to generate sufficient tax revenues to pay the debt service on the Bonds. Under the Resolution, the City is not obligated to pay the debt service on the Bonds from any other sources. This Appendix A provides information on the City's overall operations and finances with an emphasis on its General Fund and therefore includes information on revenues and other funds that are not pledged to the Bonds under the Resolution and are not available to pay debt service on the Bonds. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement.

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A and should not be considered in making a decision to buy the bonds.

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

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected.

**APPENDIX A
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PUBLIC HEALTH EMERGENCY – COVID-19

On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”) caused by a strain of novel coronavirus, an upper respiratory tract illness which has since been declared a pandemic and spread across the globe.

From time to time since the onset of the pandemic, all counties in the Bay Area (including the City) have implemented and revised shelter-in-place (“Shelter-in-Place”) emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. However, as of June 11, 2021, San Francisco and the Bay Area have significantly decreased COVID-19 case rates and increasing vaccination rates. Effective June 15, 2021, the San Francisco Health Officer provided guidance on face coverings, vaccination, ventilation, quarantining, gatherings, and other COVID-19 related policies for individuals and entities in San Francisco.

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

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

The Original Budget for fiscal year 2020-21 was approved by the Board of Supervisors on September 20, 2020 and signed by Mayor Breed on October 1, 2020 (the “Original Budget”). The Original Budget assumed \$755.6 million of COVID-19 response costs in fiscal year 2020-21. Actual costs ultimately depend on the duration and severity of the pandemic. New costs are partially offset by the re-assignment of City employees and may be offset by FEMA reimbursement for eligible costs. As described herein, the City received significant federal relief, which mitigated the adverse financial impact of the COVID-19 pandemic. See “CITY BUDGET - Five-Year Financial Plan and March Update” for further detail. On June 1, 2021, the Mayor proposed a balanced budget for fiscal years 2021-22 and 2022-23; the budget assumes \$384.2 million of COVID-19 response costs in the two-year budget. The Board of Supervisors review of the Mayor’s budget proposal is to take place in June and July 2021, with final approval of the budget by August 1, 2021. See “CITY BUDGET - Proposed Budget for Fiscal Years 2021-22 and 2022-23” herein.

The City is in the midst of closing fiscal year 2020-21, so final revenue results are still pending. However, on May 13, 2021, the Controller’s Office released the Nine-Month Report, which included updated revenue and expenditure projections for fiscal year 2020-21. Property tax and real property transfer tax revenues were projected to exceed budgeted levels due to State guidance on the calculation

of excess ERAF and a greater number of large commercial sales than previously anticipated. Weakness in hotel, sales and business taxes partially offset this revenue improvement. See "CITY BUDGET – Other Budget Updates: Fiscal Year 2020-21 Nine-Month Budget Status Report."

CITY GOVERNMENT

City Charter

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

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

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

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

their original acquisition. SFO, the Port, the PUC (which includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency (“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 enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, annually receive significant General Fund transfers.

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

Mayor

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

Board of Supervisors

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

At the election on November 3, 2020, voters voted on Supervisor seats with terms expiring in 2025. Incumbents Aaron Peskin (District 3), Dean Preston (District 5), Hillary Ronen (District 9) and Ahsha Safai (District 11) retained their seats for another four years, while new Supervisors Connie Chan and Myrna Melgar joined the Board for District 1 and District 7, respectively.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

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

Other Elected and Appointed City Officers

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2019. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission. In April 2021, Mr. Herrera was nominated by Mayor London Breed to become the next General Manager of the San Francisco Public Utilities Commission (SFPUC). The SFPUC has formally recommended his appointment, and upon the finalization of his contract, it is expected that Mr. Herrera will step down as City Attorney and Mayor Breed will appoint an interim successor. As the statewide gubernatorial recall election has been scheduled for September 14th, 2021, the appointment of the new City Attorney will not occur sufficiently in advance of that date to be included on that ballot. Therefore, the City Attorney election would take place at the next election expected in June 2022.

The Assessor-Recorder administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. The position of Assessor-Recorder is a citywide elected position. Mr. Torres will have to run in the election currently scheduled for June 2022 to complete the current term. Mr. Torres filled a vacancy left by the former Assessor-Recorder, Carmen Chu, who now serves as the City Administrator.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services

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

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Following the announcement of former City Administrator Naomi Kelly's resignation, Mayor Breed nominated Carmen Chu to serve as San Francisco's City Administrator, which was confirmed by the Board on January 26, 2021. Ms. Chu was sworn in as the City Administrator on February 2, 2021. Prior to becoming the City Administrator, Ms. Chu had served as the City's Assessor-Recorder since 2013. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

CITY BUDGET

Overview

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

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

The Original Budget for fiscal year 2020-21 appropriated annual revenues, fund balance, transfers and reserves of \$13.6 billion, of which the City's General Fund accounts for \$6.2 billion.

The fiscal years 2021-22 and 2022-23 budget was proposed by the Mayor on June 1, 2021 and will be reviewed and adopted by the Board of Supervisors by August 1, 2021. The proposed budget for fiscal year 2021-22 appropriates annual revenues, fund balance, transfers and reserves of \$13.1 billion, of which the City's General Fund accounts for \$6.3 billion. The proposed budget for fiscal year 2022-23 appropriates revenues, fund balance, transfers and reserves of \$12.8 billion, of which \$6.3 billion represents the General Fund budget. See "CITY BUDGET – Mayor's Proposed Budget for Fiscal Years 2021-22 and 2022-23" for further details on the proposed budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2018-19 through 2019-20, the Original Budget for fiscal year 2020-21, and the Mayor's proposed budget for fiscal years 2021-22 and 2022-23. See "PROPERTY TAXATION –Tax Levy and Collection, "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Economic and tax revenue losses associated with the COVID-19 pandemic have been stark and immediate, and there can be no assurances that there will not be a resurgence of COVID-19, or that the pandemic will not result in further material adverse impacts on the projections and budget information provided in this Appendix A. See "CITY BUDGET - Controller's Revenue Letter," and "GENERAL FUND REVENUES" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 pandemic on the City. See "BUDGETARY RISKS" for a discussion of factors that may affect the revenue and expenditure levels assumed in the Mayor's proposed budget for fiscal years 2021-22 and 2022-23 budget.

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TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2018-19 through 2022-23
(000s)

| | 2018-19 Final Revised Budget | 2019-20 Final Revised Budget ⁶ | 2020-21 Original Budget ⁷ | 2021-22 Proposed Budget ⁸ | 2022-23 Proposed Budget ⁸ |
|--|------------------------------------|---|--|--|--|
| Prior-Year Budgetary Fund Balance & Reserves | \$2,342,082 | \$2,817,270 | \$526,905 | \$723,600 | \$326,408 |
| <u>Budgeted Revenues</u> | | | | | |
| Property Taxes ¹ | \$2,142,727 | \$1,956,008 | \$2,019,600 | \$2,115,600 | \$2,211,700 |
| Business Taxes | 879,414 | 1,050,392 | 826,400 | 957,140 | 1,065,350 |
| Other Local Taxes ² | 1,053,390 | 1,144,376 | 657,990 | 777,750 | 1,076,092 |
| Licenses, Permits and Franchises | 30,794 | 30,361 | 23,175 | 27,944 | 27,997 |
| Fines, Forfeitures and Penalties | 3,131 | 3,131 | 2,338 | 4,035 | 3,088 |
| Interest and Investment Earnings | 20,323 | 69,579 | 23,490 | 36,247 | 38,307 |
| Rents and Concessions | 14,896 | 15,270 | 10,948 | 11,728 | 13,120 |
| Grants and Subventions | 1,072,205 | 1,234,987 | 1,380,693 | 1,217,775 | 1,101,679 |
| Charges for Services | 263,340 | 246,003 | 257,295 | 255,111 | 256,048 |
| Other | 29,712 | 31,712 | 25,254 | 24,238 | 24,256 |
| Total Budgeted Revenues | \$5,509,932 | \$5,781,819 | \$5,227,184 | \$5,427,568 | \$5,817,638 |
| Bond Proceeds & Repayment of Loans | \$87 | - | - | \$77 | \$10 |
| <u>Expenditure Appropriations</u> | | | | | |
| Public Protection | \$1,390,266 | \$1,493,240 | \$1,448,004 | \$1,511,140 | \$1,551,743 |
| Public Works, Transportation & Commerce | 214,928 | 216,824 | 186,729 | 221,712 | 191,364 |
| Human Welfare & Neighborhood Development | 1,120,892 | 1,270,530 | 1,477,225 | 1,417,298 | 1,335,917 |
| Community Health | 967,113 | 1,065,051 | 1,152,275 | 1,056,434 | 1,062,425 |
| Culture and Recreation | 154,056 | 161,274 | 158,511 | 221,888 | 186,907 |
| General Administration & Finance | 290,274 | 332,296 | 363,650 | 475,678 | 409,821 |
| General City Responsibilities ³ | 172,028 | 137,851 | 219,635 | 229,753 | 241,416 |
| Total Expenditure Appropriations | \$4,309,557 | \$4,677,066 | \$5,006,029 | \$5,133,902 | \$4,979,593 |
| Budgetary reserves and designations, net | - | \$34,721 | \$149,000 | \$3,207 | \$5,854 |
| Transfers In | \$239,056 | \$190,642 | \$447,095 | \$158,329 | \$162,941 |
| Transfers Out ⁴ | (1,468,068) | (1,157,312) | (1,046,155) | (1,172,465) | (1,321,550) |
| Net Transfers In/Out | (\$1,229,012) | (\$966,670) | (\$599,060) | (\$1,014,136) | (\$1,158,609) |
| Budgeted Excess (Deficiency) of Sources | | | | | |
| Over (Under) Uses | \$2,313,531 | 2,920,632 | - | - | - |
| Variance of Actual vs. Budget | 503,738 | (139,127) | - | - | - |
| Total Actual Budgetary Fund Balance⁵ | \$2,817,269 | \$2,781,505 | \$0 | \$0 | \$0 |

¹ The City's final budget for FY 2018-19 property tax included \$414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted \$185.0 million of "Excess Educational Revenue Augmentation Fund" (ERAF) revenue. The Budget appropriates Excess ERAF property tax funds in fiscal years 2020-21, 2021-22, and 2022-23 for ongoing purposes. Please see "Property Tax" sections for more information about Excess ERAF.

² Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, cannabis, and executive compensation taxes.

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

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

⁵ Fiscal year 2017-18 through fiscal year 2019-20 Final Revised Budget reflects prior year actual budgetary fund balance.

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

⁷ FY 2020-21 amounts represent the Original Budget, adopted on October 1, 2020.

⁸ FY 2021-22 and 2022-23 amounts represent the Mayor's Proposed Budget from June 1, 2021.

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

Budget Process

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

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

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

The Budget and Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire Budget and Appropriation Ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Budget and 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 Budget and Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year upon release of the City's Comprehensive Annual Financial Report to reflect the year-end revenue and expenditure appropriations for that fiscal year.

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors. In the most recently Adopted Budget for fiscal years 2020-21 and 2021-22, four departments adopted fixed budgets: MTA, PUC, SFO, and the Port. The Mayor has proposed changes to these departments' previously approved fiscal year 2021-22 budgets given significant changes caused by the pandemic. All other departments prepare balanced, rolling two-year budgets for Board approval.
2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan update, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 15, 2021, for fiscal year 2021-22 through fiscal year 2025-26. The Five-Year Financial Plan was updated on March 31, 2021 in a report (the "March Joint Report") issued by the Board of Supervisors Budget and Legislative Analyst, the Mayor's Budget Director and the Controller. The next update of the City's Five-Year Financial Plan is expected to be submitted in Fall 2021. See "Five Year Financial Plan" section below and "RECENT DEVELOPMENTS."
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:
 - Non-Recurring Revenue Policy - This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations. The Mayor and the Board approved legislation to temporarily suspend this policy. See "Controller's Revenue Letter" section for more details.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. Given the City's projected revenue levels in fiscal years 2020-21, 2021-22, and 2022-23, the City is eligible to withdraw from these reserves and is not required to make any deposits. The fiscal year 2020-21 Original Budget withdraws the maximum permissible amount

from the City's Rainy Day and Budget Stabilization Reserves, but the proposed fiscal year 2021-22 and 2022-23 budgets withdraw *de minimis* amounts, preserving the remaining balance of the reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as the "Controller's Revenue Letter" section.

4. The City is required to submit labor agreements for all public employee unions to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. All labor agreements are closed for fiscal years 2020-21 and 2021-22.

Role of Controller in Budgetary Analysis and Projections

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

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the first of these reports, the fiscal year 2020-21 Three Month Report (the "Three Month Report"), in November 2020; the second of these reports, the fiscal year 2020-21 Six Month Report (the "Six Month Report"), was issued on February 12, 2021; and the third of these reports, the fiscal year 2020-21 Nine Month Report ("Nine Month Report"), was issued on May 13, 2021. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget in the Revenue Letter ("Revenue Letter"), which was issued on June 8, 2021.

General Fund Results: Audited Financial Statements

The City issued the Comprehensive Annual Financial Report, which includes the City's audited financial statements) for fiscal year 2019-20 on March 2, 2021. As of June 30, 2020, the General Fund fund balance available for appropriation in subsequent years was \$896.2 million (see Table A-4), which represents an \$83.4 million increase in available fund balance from the \$812.7 million available as of June 30, 2019. This increase resulted primarily from greater-than-budgeted property tax revenue and operating surpluses at

the Department of Public Health, mostly offset by under-performance in business and other local tax revenues in fiscal year 2019-20.

The General Fund fund balance as of June 30, 2020 was \$2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles (“GAAP”), derived from revenues of \$5.5 billion. The City prepares its budget on a modified accrual basis, which is also referred to as “budget basis” in the Comprehensive Annual Financial Report. Accruals for incurred liabilities, such as claims and judgments, workers’ compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City’s balance sheet; General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2016 through June 30, 2020.

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TABLE A-3

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

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

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

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

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

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

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

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

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

⁶ Includes \$507.4 million COVID Response and Economic Loss Reserve. Additional information in the COVID Response and Economic Loss Reserve section of Appendix A, following this table.

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

COVID Response and Economic Loss Reserve

The fiscal year 2020-21 Original Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of \$507.4 million in fiscal year 2019-20, as shown as part of “Unassigned Contingency for Second Budget Year” line in Table A-3 above. The COVID Response and Economic Loss Reserve will be available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller has noted that the \$507.4 million total balance would be sufficient to offset some, but not all, of the budget risks identified future years. The Mayor’s proposed budget for fiscal years 2021-22 and 2022-23 draws down \$113.5 million of the COVID Response and Economic Loss Reserve to support the continuing costs of the City’s continuing COVID-19 response. The remaining balance is split into two new reserves, \$100.0 million for a “Federal and State Emergency Grant Disallowance Reserve,” and \$293.9 million for a “Fiscal Cliff Reserve.” The Federal and State Emergency Grant Disallowance Reserve was created for the purpose of managing revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency (FEMA) and other state and federal agencies.” The Fiscal Cliff Reserve was created for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources used to balance the fiscal year 2021-22 and fiscal year 2022-23 budget. See “CITY BUDGET - Controller’s Revenue Letter.”

Rainy Day Reserve

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

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

The fiscal year 2019-20 ending balance of the Rainy Day Economic Stabilization City Reserve was \$229.1 million, as shown in Table A-3. In the fiscal year 2020-21 Original Budget, \$114.5 is withdrawn, resulting in an ending balance of \$114.5 million at fiscal 2020-21 year end. The Mayor’s proposed budget withdraws *de minimis* amounts of Rainy Day Reserve in fiscal years 2021-22 and 2022-23, preserving the balance of \$114.5 million in those years.

The combined balances of the Rainy Day Reserve’s Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City’s most recent independent annual audit. Amounts in excess of that cap in any year will be placed in

the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

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

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

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

In the fiscal year 2020-21 Original Budget, \$42.0 million is withdrawn from this reserve resulting in a balance of \$265.8 million. The Mayor's proposed budget for fiscal years 2021-22 and 2022-23 makes no withdrawal from this reserve, maintaining the balance of \$265.8 million.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the General Reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City appropriates a withdrawal from the Rainy Day reserve. The intent of this policy change was to increase reserves available during a multi-year downturn. The fiscal year 2019-20 ending balance of the General Reserve was \$78.5 million. As of the Controller's Nine Month Report, the fiscal year 2020-21 ending balance is anticipated to be \$78.3 million, as the Board appropriated \$0.2 million in the current year to forgive fees related to accessory dwelling units. The Mayor's proposed budget for fiscal years 2021-22 and 2022-23 includes deposits of \$3.1 million and \$5.8 million, respectively.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown on line 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the “Budget Savings Incentive Fund,” as shown with note 4 of the “assigned, not available for appropriation” section of Table A-3. In fiscal year 2019-20, the Recreation and Parks Savings Reserve had a balance of \$0.8 million and the balance of the Citywide Budget Savings Incentive Reserve was moved into the COVID Response and Economic Loss Reserve. See “—COVID Response and Economic Loss Reserve” above.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses, which are available to City departments through a Controller’s Office review and approval process. These are shown with note 5 in the “assigned, not available for appropriation,” and “assigned and unassigned, available for appropriation” sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of \$25.4 million as of fiscal year 2019-20), and the Litigation and Public Health Management Reserve (balance of \$136.5 million in fiscal year 2019-20).

Operating Cash Reserve

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

Table A-4, entitled “Audited Statement of Revenues, Expenditures and Changes in General Fund Balances,” is extracted from information in the City’s published Comprehensive Annual Financial Report through fiscal year 2019-20. Audited financial statements can be obtained from the City Controller’s website <https://sfcontroller.org/comprehensive-annual-financial-report-cafr>. Information from the City Controller’s website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

TABLE A-4

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

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

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

² The City recognized \$548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see Property Tax section for more information about Excess ERAF.

³ Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes (once it takes effect beginning January 1, 2022).

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

Five-Year Financial Plan and March Update

The Five-Year Financial Plan (“Plan”) is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. Charter Section 9.119 requires that by March 1 of each odd-numbered year, the Mayor submit a Plan to the Board. The City’s Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimated for the remaining four years of the most recently adopted Plan.

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

On March 31, the Board of Supervisors Budget and Legislative Analyst, the Mayor’s Budget Director and the Controller issued a Budget Outlook Update (the “March Joint Report”) which contained updates to the City’s Five-Year Financial Plan issued in January 2021 (the “January 2021 Projections”).

The March Joint Report shows a cumulative deficit projection of \$499.3 million by fiscal year 2025-26, which is a \$23.0 million improvement from the prior fiscal year 2025-26 deficit of \$503.3 million contained in the January 2021 Projections. In the upcoming two fiscal years, the cumulative shortfall was \$22.9 million, an improvement of \$630.3 million from the \$653.2 million deficit as compared to the January 2021 Projections. The March Joint Report noted that the changes to the January 2021 Projections were primarily driven by the following factors:

- American Rescue Plan Act of 2021 (“ARPA”). The March Joint Report forecast assumes \$636 million of one-time direct federal aid contained in ARPA from the Coronavirus Local Fiscal Recovery Fund to offset revenue losses in the General Fund in fiscal years 2021-22 and 2022-23 (\$318 million each year). By the time of the Mayor’s proposed budget on June 1, 2021, the City received notice that it would receive \$624 million of ARPA funds or \$312 million in each fiscal year.
- Modest Increase in Local Tax Revenue Projection. Local tax revenues are expected to recover at varying speeds from the stark and immediate losses of fiscal years 2019-20 and 2020-21 throughout the projection period of the Five-Year Financial Plan. The overall trajectory for most local tax revenues in the March Joint Report is similar to the January 2021 Projections; however projected property tax revenues in the March Joint Report are materially higher, largely due to updated State guidance on the calculation of Excess ERAF and revised assumptions about temporary reductions in assessed values. (The March Joint Report assumes that reductions in assessed values for hotel, retail, and unsecured property will be less than projected in the January Projections.) This positive change is partially offset by additional anticipated weakness in business, hotel, sales, and parking taxes, largely driven by an assumed slower return of office workers and travelers to San Francisco. The March Joint Report also contains revised assumptions concerning the future impact of continued telecommuting on the City’s business tax revenues.

- Changing Reserve Assumptions. In the January 2021 Projections, the City anticipated withdrawing \$187.9 million of Economic Stabilization Reserves in fiscal year 2021-22 and fiscal year 2022-23, exhausting the full balance in those reserves. Given improvement in the budget outlook, the March Joint Report projections assume the \$187.9 million withdrawal of Economic Stabilization Reserves in fiscal year 2021-22, consistent with the adopted budget, but no further withdrawals thereafter. Furthermore, the March Joint Report projects that deposits to these reserves will be required beginning in fiscal year 2023-24. Neither the January Projections nor the March Joint Report update assumes the use of funds in the COVID Response and Economic Loss Reserve.
- Reductions to Cost of COVID-19 Response. The March Joint Report includes a reduction in projected expenditures needed to support citywide COVID-19 response programming, compared to the January 2021 Projections.
- Salary and Benefits Costs. The March Joint Report assumes salary and benefits savings compared to the January Projections, primarily due to a higher fiscal year 2020-21 rate of return on the retirement system's investments, and also lower growth in fiscal year 2021-22 of retiree health costs. The March Joint Report assumes there will be no wage delays in closed labor contracts, which would have been triggered under those contract terms if the projected shortfall in the March Joint Report exceeded \$200 million.

The March Joint Report notes key factors that could materially impact the City's financial condition, including the following:

- Local General Fund Revenues: Economically sensitive revenues such as business and hotel taxes are still subject to historically high levels of uncertainty as the local and national economies gradually recover from the COVID-19 pandemic, and international travel returns.
- State and federal budget impacts: Federal and state legislative and regulatory actions are driving large revenue improvements in the March Joint Report projection, and any future federal or state legislative and regulatory actions could create additional changes.
- Local COVID-19 Response Costs: The level of need and associated costs of the City's current COVID-19 response programs may exceed the City's current expectations.
- Pending or proposed new programs or legislation: No pending or proposed legislative changes with a fiscal impact are assumed in the March Joint Report with the exception of the \$125 million supplemental ordinance discussed above. Any legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Several appropriations for new program initiatives are pending at the Board of Supervisors, and others may be proposed.
- Retirement Employer Contribution Rate: While the Retirement System Board has discussed reducing its actuarially assumed rate of return from 7.4% to 7.3% in recent months, , it voted to maintain the 7.4% rate at their April 2021 meeting. At the time of the March Joint Report, it had not yet taken action; therefore, the 7.4% rate assumed in the January report remains unchanged. Adoption of the 7.3% rate would have increased employer contribution rates and annual costs by approximately \$48 million beginning in Fiscal Year 2021-22.

The March Joint Report notes that: “In the remaining three years of the five-year projection period, a significant structural deficit of over \$350 million persists and grows each year as expenditure growth projections outpace revenue growth projections. Closing these shortfalls will require some combination of expenditure reductions and additional revenues, and will likely pose difficult choices for policymakers.”

Mayor’s Proposed Budget for Fiscal Years 2021-22 and 2022-23

On June 1, 2021, the Mayor submitted a proposed, balanced budget for fiscal years 2021-22 and 2022-23 to the Board of Supervisors.

The proposed budget totals \$13.1 billion for fiscal year 2021-22 and \$12.8 billion for fiscal year 2022-23, representing a year over year decrease of \$0.5 billion in fiscal year 2021-22 and \$0.3 billion in fiscal year 2022-23. The General Fund portion is \$6.3 billion in fiscal year 2021-22 and \$6.3 billion in fiscal year 2022-23, representing a year over year increase of \$108.3 million in fiscal year 2021-22 and decrease of \$2.5 million in fiscal year 2022-23. There are 32,217 funded full-time positions in fiscal year 2021-22 and 32,176 in fiscal year 2022-23, representing a year-over-year increase of 439 and a year-over-year decrease of 41 positions, respectively.

On June 8, 2021, the Controller’s Office published the Revenue Letter, fulfilling a Charter requirement to comment on the revenue estimates assumed in the Mayor’s proposed budget. The Revenue letter found tax revenue assumptions to be reasonable, but cautioned revenues are highly dependent on the course of economic reopening, will require frequent monitoring, and are subject to updates as conditions change. The Revenue Letter notes the following key assumptions and requirements in the Mayor’s proposed budget:

- **Tax revenue assumptions are reasonable and based on the expectation that San Francisco’s economy will recover from the public health emergency over several years.** The budget broadly assumes General Fund revenue recovers to pre-pandemic levels by fiscal year 2023-24, with significant projected growth during the two budget years. However, the impact of the pandemic on specific revenues, including hotel, sales and parking taxes, is assumed to linger until fiscal year 2025-26.

In fiscal year 2021-22, the largest increases in General Fund tax revenues are in property, business, and transfer taxes, with increases of \$96.0 million, \$130.7 million, and \$212.1 million, respectively, from the fiscal year 2020-21 original budget. This growth is partially offset by significant reductions in sales and hotel tax versus pre-pandemic levels. In fiscal year 2022-23, General Fund revenue continues to grow from fiscal year 2021-22, with continued strength in property and transfer taxes and rapid growth in business and hotel tax, as the city continues its economic recovery. Fiscal year 2022-23 also assumes \$60.0 million in revenue from a new tax on executive pay approved by voters in November 2020.

The revenue outlook for the City is closely tied to the recovery of sectors most affected by the pandemic: tourism, office industries, and small businesses. The extent to which changes in these sectors, including the prevalence of telecommuting, patterns of out-migration, and declines in conventions and international travel, are temporary or permanent will be critically important to the City’s tax base. The Controller’s Office will closely monitor and report on revenues, and active management of the City’s budget will likely be required by the Mayor and Board of Supervisors.

- **The budget assumes very significant levels of one-time federal funding, primarily from the passage of ARPA in March 2021.** The budget appropriates \$624.8 million of ARPA Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) over the two budget years. As discussed in the March 2021 Update to the Five Year Financial Plan, this single source is largely responsible for balancing projected shortfalls in fiscal years 2021-22 and 2022-23.
- **The budget relies on other one-time sources including \$267.5 million of reserves and use of the \$157.3 million current year fund balance projected in the Controller’s Nine-Month Report.** The Board of Supervisors has adopted a nonrecurring revenue policy, codified in Administrative Code Section 10.61, which requires selected nonrecurring revenues to be used only for nonrecurring expenditures. As defined by this policy, the fiscal year 2021-22 budget relies on \$267.5 million of one-time sources to support \$468.9 million of one-time expenditures, in compliance with the City’s nonrecurring revenue policy.
- **The Mayor’s budget includes, for the first time, several new general and special purpose taxes.** Some of these are sources the City has experience collecting and projecting, including the transportation network tax the transfer tax rate, the business tax overhaul which adjusted gross receipts tax and business registration rates, commercial rents tax, and homeless gross receipts tax. The risk with these sources is largely commercial real estate volatility and recovery of office-using business sectors. Others are sources that the City has little to no experience collecting or projecting, including the retail vacancy tax, the cannabis, and the tax on executive pay, a volatile revenue source due to the narrow base of expected payers, annual fluctuations in the value and form of executive compensation, and possible tax-avoidance behavior, that is budgeted at \$60 million in fiscal year 2022-23.
- **The budget preserves the balances of the City’s economic stabilization reserves, and code-mandated reserves are funded and maintained at required levels.** The Mayor’s proposed budget maintains a balance of \$380.3 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined “Economic Stabilization Reserves”), as well as \$54.8 million in the Budget Stabilization One-Time reserve. Pursuant to the City’s financial policies, Economic Stabilization Reserves can be fully drawn by fiscal year 2022-23, split 50% in each of the budget years, and the Budget Stabilization One-Time Reserve can be used on one-time uses at any time. General Reserve funding levels in the budget are at code-mandated levels.
- **Voter-adopted spending requirements are met, or exceeded, at a total cost exceeding \$1.4 billion annually.** The financial baselines include mandated spending for transit, libraries, schools, early childhood education, homelessness housing and services, street trees, and other programs. Several programs are funded above the required levels, including the Children’s Services baseline, Transitional Aged Youth baseline, Recreation and Parks baseline, the Our City, Our Home Baseline (November 2018 Proposition C), and the Early Care and Education baseline (June 2018 Proposition C). Finally, the proposed budget prefunds \$17.6 million of future Housing Trust Fund requirements in fiscal year 2021-22, which will reduce payments over a five year term beginning in fiscal year 2023-24.
- **The Mayor’s budget adheres to the Minimum Compensation Rate.** The Minimum Compensation Ordinance, Section 12P of the Administrative Code, sets a minimum compensation rate for employees at public entities and nonprofit organizations that have contracts with the City. For

public entities, the minimum compensation rate is scheduled to increase from \$17.25 to \$18.00 on July 1, 2021. For nonprofits, the minimum compensation is scheduled to increase at the rate of inflation from \$17.05 to \$17.34 (1.7 percent). These increases only go into effect if sufficient funds are appropriated to fund the increases. The proposed budget includes appropriations for the increase in the minimum compensation rate for public entities. It also includes a “cost of doing business” appropriation that provides nonprofits an increase of three percent to their budgets, which is sufficient to support the minimum compensation increase for nonprofits. These compensation increases, therefore, will be effective on July 1, 2021.

The Revenue Letter outlined the following key financial risks:

- While revenue assumptions in the Mayor’s proposed budget are reasonable, the City faces several key financial risks in coming fiscal years. These risks include (1) disallowance of claims for federal revenues assumed in the City’s emergency response budgets, (2) a slower recovery than assumed in the budget, and (3) the projected structural budget gap following depletion of one-time federal stimulus funds.
 - **Federal revenue risk.** In total since the beginning of the public health emergency, the City has budgeted to receive \$430 million of reimbursements from the Federal Emergency Management Agency (FEMA), including \$49.5 million in the proposed fiscal year 2021-22 budget. Of this total, the City has submitted claims to date of \$180.5 million, of which \$36.3 million have approved and \$14.6 million have been paid. The balance is subject to risk of both lower claiming than that assumed in the budget and potential disallowance of claimed costs. The federal reimbursement and auditing process will likely continue for the coming fiscal year at a minimum, leaving a key risk to budgeted revenues.
 - **Economic risk.** The proposed budget assumes an economic recovery will drive annual tax revenue growth of \$251.2 million in fiscal year 2021-22 and \$502.7 million in fiscal year 2022-23. While these assumptions track to our economic and financial projections, they are subject to significant uncertainty. Key factors to monitor include whether public health conditions in the City will remain relatively favorable and continue to permit a growing amount of economic activity to resume; whether large-scale telecommuting will wane rapidly in the coming two fiscal year as assumed in these projections; and whether the local hospitality and convention industries will recover at the pace underpinning these tax revenue projections. Changes in these key factors would drive significant variances in actual financial revenue performance.
 - **Structural budget challenges in future fiscal years.** As noted above, the Mayor’s proposed budget is balanced with a heavy reliance on one-time sources, most notably federal stimulus funds allocated to the City under the ARPA. As proposed, these funds would be depleted over the two-year budget period, leaving a structural budget challenge, projected to be \$350 million in fiscal year 2023-24 and \$499.3 million in fiscal year 2025-26 in the March 2021 update to the Five-Year Financial Plan. While these projected future year shortfalls are modestly mitigated by actions proposed in the Mayor’s proposed budget, significant gaps are likely to remain in fiscal years beyond the two-year budget period.

- The Mayor’s proposed budget preserves and repurposes several key reserve balances in response to these risks. The Mayor’s proposed budget reassigns \$100.0 million of the COVID Response and Economic Loss contingency reserve to a Federal and State Emergency Grant Disallowance Reserve to manage potential revenue shortfalls related to potential reimbursement disallowances and \$293.9 million to a Fiscal Cliff Reserve for the purpose of managing anticipated budget shortfalls in fiscal year 2023-24 and beyond. Additionally, the Mayor’s proposed budget maintains a balance of \$380.3 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined “Economic Stabilization Reserves”), as well as \$54.8 million in the Budget Stabilization One-Time reserve.

Other Budget Updates: Fiscal Year 2020-21 Nine-Month Budget Status Report

The Controller’s Office provides periodic budget status updates to the City’s policy makers during each fiscal year, as required by the City Charter Section 3.105. The most recent budget status update (the “Nine-Month Report”) was released on May 13, 2021.

The Nine-Month Report indicates a projected General Fund net surplus of \$157.3 million in fiscal year 2020-21 (as compared to the surplus reported in the Six-Month Report, which was subsequently appropriated by the Mayor and Board of Supervisors in the current year).

TABLE A-5

Nine Month Report
Fiscal Year 2020-21 Projected General Fund Variances to Prior Projection (\$ million)

| Changes from Six Month Projection | |
|--|----------------|
| Fiscal Year 2019-20 estimated fund balance (audited) | \$0 |
| Citywide Revenue | 146.1 |
| Baseline Offsets | (18.1) |
| Departmental Revenues and Expenditures | 29.4 |
| Surplus / (Shortfall) | \$157.3 |

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

- Local revenue trends are consistent with previous projections, with two positive exceptions that account for the majority of the projected ending balance. First, state regulatory actions are driving large improvements in excess ERAF revenue, offset by mixed performance of local tax revenues. State guidance on the calculation of excess ERAF increased revenue by \$83.4 million over Six-Month Report projections. Second, real property transfer taxes are projected to exceed budgeted levels due to a greater number of large commercial sales than previously anticipated. Weakness in hotel, sales and business taxes are offset by overall improvement in projected department revenues and expenditures.
- Economically sensitive revenues are subject to historically high levels of uncertainty given the course of the pandemic and its economic effects. Business tax revenues are projected to be

\$165.9 million below revised budget and \$35.7 million below Six-Month Report projections, given the delay in resumption of office work. Postponement of the tax year 2020 business tax filing deadline from March 1 to April 30, 2020, will result in a high level of uncertainty about current year revenue until late in the summer. General Fund hotel tax revenues are projected to be \$20.6 million for the fiscal year, \$105.6 million below budget and \$7.2 million below prior projections, given year to date receipts. Sales tax revenues are \$51.5 million below budget, or \$8.0 million less than prior projections.

- Projected spending and revenues supporting the City’s COVID-19 emergency response have declined since our last projection. Projected emergency response spending in the current year of \$632.6 million are supported by federal, state, and dedicated local revenues of \$409.6 million, for net General Fund costs of \$169.9 million. The projected ending General Fund project balance, which is available to support response costs in the upcoming fiscal year, has declined by \$24.3 million from our last projection.
- ARPA Coronavirus Local Fiscal Relief Funds are not included in these projections. ARPA included \$350 billion in aid to state and local governments. San Francisco’s direct allocation, initially estimated by the United States Treasury at \$636.0 million but confirmed to be \$624.8 million, will be received in two equal tranches, one in the current year and one in the budget year. The Five Year Financial Plan assumes the first half of the funds will be spent in fiscal year 2021-22 and second half in fiscal year 2022-23.

Periodic budget status updates are provided by the Controller in accordance with reporting requirements of the Charter. The level of uncertainty regarding City revenues and expenditures remains extraordinarily high, driven by the economic and financial impacts of the public health emergency. The City can give no assurances that the COVID-19 pandemic will not result in further adverse impacts on the City’s financial condition (including continuing reductions in revenues and/or increases in expenses).

BUDGETARY RISKS

Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State’s unemployment rate hit a record high of 16.4% in April 2020 and has decreased to 8.5% as of February 2021. In the “Great Recession” that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3 percent in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017. More than a third of California jobs are in sectors that are immediately vulnerable to stay-at-home emergency orders. The possibility of a prolonged anemic economic recovery from the pandemic remains.

Commuting Pattern Changes

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

COVID-19 Pandemic

The COVID-19 pandemic is ongoing, and the City's response will likely cost hundreds of millions of dollars, depending on the ultimate duration and severity of the pandemic. The City can give no assurance of the duration or severity of the COVID-19 pandemic, and there is no assurance that its effects will not impose more significant financial and operating effects on the City before mitigation measures are successfully implemented. For additional information see "PUBLIC HEALTH EMERGENCY – COVID-19."

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

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated upwards of \$30 billion. Taxes and fees paid by PG&E to the City total approximately \$75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers.

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

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

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for

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

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

On August 28, 2017, the California Supreme Court in *California Cannabis Coalition v. City of Upland* (August 28, 2017, No. S234148) ("Upland Decision") interpreted Article XIII C, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland Decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C"), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless services. The estimated annual values of June Propositions C and G are approximately \$150 million and \$50 million, respectively. The estimated annual value of November Proposition C is approximately \$250 million to \$300 million.

In August 2018, the Howard Jarvis Taxpayers Association and several other plaintiffs filed a reverse validation action in San Francisco Superior Court challenging the validity of June Proposition C. In September 2018 the City initiated a validation action in the same court seeking a judicial declaration of the validity of Proposition G. In January 2019, the City initiated a similar validation action in the same court concerning November Proposition C.

On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June Proposition C and November Proposition C, concluding that both measures, which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June Proposition C, and the California Business Properties Association and the other defendants/respondents appealed the decision in the litigation concerning November Proposition C.

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

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

The Original Budget for fiscal year 2020-21 appropriated \$589.6 million of the November Proposition C funds for various voter-adopted purposes. With the Supreme Court decision to uphold the trial court, these funds are now free of legal risk on the voter threshold issue and the City is able to spend these funds. Of this total, the Original Budget assumed repayment to the General Fund of \$196 million in advances made in previous years to begin to implement these programs

The Original Budget for fiscal year 2020-21 also appropriated \$379.8 million of funds resulting from the contested commercial rents tax measure and programs those funds for voter-adopted childcare expenditures. Of this total, \$106.8 million supported the General Fund budget. These funds were at risk and could only be released following a final court ruling in the City's favor or voter adoption of the 2020 Proposition F on the November ballot. The Court has upheld trial court decisions in both Proposition C's allowing for revenue to be recognized and funds to be released from the Controller's Reserve. See "CITY BUDGET – Role of Controller in Budgetary Analysis and Projections" for the process in the event revenue shortfalls exceed applicable reserves and any other allowances for revenue shortfalls in the Original Budget.

Parcel taxes collected for teacher compensation are similarly reserved until the legal proceedings conclude, although the adoption of Proposition J on the November 2020 ballot by a two-thirds vote removed the legal risks on the voter threshold issue going forward and will allow the appropriation of future funds collected under the new tax.

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

- A business tax reform measure, which would have increased the gross receipts tax on certain taxpayers and impose new replacement general taxes on the gross receipts from the lease of certain commercial space or larger businesses if two contested 2018 (June Proposition C and November Proposition C) business tax measures had been struck down. This measure was assumed in the Proposed Budget such that \$330.8 million of new revenue transfers into the General Fund are assumed to repay prior year General Fund advances made for these purposes. As discussed above, on September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association regarding November Proposition C, Homeless Gross Receipts Tax, allowing the lower court decisions in the City's favor to stand. The Courts subsequently upheld both propositions.
- A transfer tax rate increase, doubling the rates on real property transfers over \$10 million. The Controller's Office estimates the measure could increase transfer tax revenue between \$13.0 million to \$346.0 million. This measure was not assumed in the Original Budget for fiscal year 2020-21, but it is assumed in the Nine-Month Report, Five Year Financial Plan and update, and the Mayor's proposed budget.
- An additional business tax on businesses with disproportionate executive pay, which the Controller's Office estimates could increase the City's revenue by \$60 to \$140 million annually. This measure is assumed in the Five Year Financial Plan and update, and the Mayor's proposed budget.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 13% of the General Fund revenues appropriated in the Mayor's proposed budget for fiscal years 2021-22 and 2022-23, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

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

On May 14, 2021, the Governor released the State of California's "May Revise" for fiscal year 2021-22. The May Revise increased its General Fund budget to \$196.8 billion, \$31.6 billion (19.1 percent) more than fiscal year 2020-21. Revenue from Personal Income Tax in fiscal year 2020-21 is even greater than was projected in the January proposed budget so that revenue in 2021-22 is now projected to decline \$0.9 billion (-0.7%) from 2020-21. Sales and Use Tax, the second largest General Revenue Source, is expected to increase \$1.1 billion (3.8%) over the prior year. It is likely that the finally adopted State budget will include additional resources for counties, however, these potential increases are not quantified at this time or included in the Mayor's proposed budget for fiscal years 2021-22 and 2022-23.

The State's fiscal year 2020-21 budget required the State Controller's Office (SCO), which regularly audits all counties' allocations of property tax revenue, to issue guidelines for counties to use in the calculation and allocation of ERAF by the end of December 2020, applicable to fiscal years 2019-20 and forward only. The City has received guidance on the calculation of excess ERAF from the California State Controller's Office. There are currently no proposed State legislative changes introduced, creating greater certainty about excess ERAF revenue in the next year.

Impact of Federal Government on Local Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over \$1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare

recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State’s health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

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

On December 27, 2020, the president signed H.R. 133 Consolidated Appropriations Act 2021, funding the federal government for the rest of the federal fiscal year 2020-21 and providing additional COVID-19 relief for individuals, businesses, and health care providers affected by the COVID-19 pandemic. The legislation addresses key priorities for public health systems, including extension of Medicaid DSH cuts to fiscal year 2023-24 and an additional \$3 billion in Provider Relief Funding (PRF) created in the CARES Act. In addition, the Center for Medicare and Medicaid Services granted a one-year extension of California’s Section 1115(a) Medicaid waiver, which was set to expire on December 31, 2020. The bill did not include additional support for state and local government. The funding from H.R. 133 was not reflected in the Original Budget for fiscal year 2020-21.

On March 11, 2021, President Biden signed H.R. 1319, the American Rescue Plan Act of 2021 (“ARPA”). The bill includes \$350 billion in state and local government fiscal aid to augment allocations provided in the CARES Act Coronavirus Relief Fund (“CRF”), through which San Francisco is to directly receive \$624.8 million. Distributions will occur in two tranches, one each in 2021 and 2022, and be required to be spent by December 31, 2024. Allowable uses include COVID-19 response or mitigation of the negative economic impacts of it, such as assistance to households, small businesses, nonprofits, and aid to impacted industries. A critical improvement versus CRF funds is that they may be used for the provision of government services to the extent of the reduction in revenue. The bill contains \$195 billion of aid to states; however, it is not yet known whether California will pass through a portion of its aid to local governments, as it did with its CRF funding. In addition, San Francisco will likely benefit from other subventions and grants authorized in the bill. This funding is assumed in the Mayor’s proposed budget for fiscal years 2021-22 and 2022-23.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the “Dissolution Act”), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as

successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

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

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

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GENERAL FUND REVENUES

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

PROPERTY TAXATION

Property Taxation System – General

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

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

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. It is possible that the COVID-19 pandemic will result in a reduction in property values in the City, and such reduction could be material.

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), San Francisco Community College District (SFCCD), Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-33: “Statement of Direct and Overlapping Debt and Long-Term Obligations.” In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Office of Community Investment and Infrastructure (OCII), the successor agency to the San Francisco Redevelopment Agency. Property tax revenues attributable to the growth in assessed value of taxable property (known as “tax increment”) within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of

the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received \$155.5 million of property tax increment in fiscal year 2019-20 for recognized obligations, diverting about \$86.5 million that would have otherwise been apportioned to the City's General Fund.

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

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2020-21
(000s)

| Fiscal Year | Net Assessed ¹ Valuation (NAV) | % Change from Prior Year | Total Tax Rate per \$100 ² | Total Tax Levy ³ | Total Tax Collected ³ | % Collected June 30 |
|-------------|--|--------------------------------|--|--------------------------------|-------------------------------------|------------------------|
| 2008-09 | 141,274,628 | 8.7% | 1.163 | 1,702,533 | 1,661,717 | 97.6% |
| 2009-10 | 150,233,436 | 6.3% | 1.159 | 1,808,505 | 1,764,100 | 97.5% |
| 2010-11 | 157,865,981 | 5.1% | 1.164 | 1,888,048 | 1,849,460 | 98.0% |
| 2011-12 | 158,649,888 | 0.5% | 1.172 | 1,918,680 | 1,883,666 | 98.2% |
| 2012-13 | 165,043,120 | 4.0% | 1.169 | 1,997,645 | 1,970,662 | 98.6% |
| 2013-14 | 172,489,208 | 4.5% | 1.188 | 2,138,245 | 2,113,284 | 98.8% |
| 2014-15 | 181,809,981 | 5.4% | 1.174 | 2,139,050 | 2,113,968 | 98.8% |
| 2015-16 | 194,392,572 | 6.9% | 1.183 | 2,290,280 | 2,268,876 | 99.1% |
| 2016-17 | 211,532,524 | 8.8% | 1.179 | 2,492,789 | 2,471,486 | 99.1% |
| 2017-18 | 234,074,597 | 10.7% | 1.172 | 2,732,615 | 2,709,048 | 99.1% |
| 2018-19 | 259,329,479 | 10.8% | 1.163 | 2,999,794 | 2,977,664 | 99.3% |
| 2019-20 | 281,073,307 | 8.4% | 1.180 | 3,509,022 | 3,475,682 | 99.0% |
| 2020-21 | 301,409,161 ⁴ | 7.2% | 1.198 | 3,612,279 | N/A | N/A |

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

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

³ The Total Tax Levy and Total Tax Collected through fiscal year 2019-20 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2020-21 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

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

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

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

At the start of fiscal year 2020-21, the total net assessed valuation of taxable property within the City was \$301.4 billion. Of this total, \$283.9 billion (94.2%) represents secured valuations and \$17.5 billion (5.8%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, partial reductions of up to approximately 30% of the assessed valuations appealed were granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly. In fiscal year 2010-11, the Assessor granted 18,841 temporary reductions in residential property assessed value worth a total of \$2.35 billion, compared to 18,110 temporary reductions with a value of \$1.96 billion granted in fiscal year 2009-10. As described further below, the number of new assessment appeals filed as of December 31, 2020, which represents approximately 1.0% of all parcels in San Francisco, was almost double the number of new assessment appeals filed during the same period last year.

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

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2019-20 are listed in Table A-7 below.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2019-20
(000s)

| Fiscal Year | Amount Refunded |
|-------------|-----------------|
| 2013-14 | \$25,756 |
| 2014-15 | 16,304 |
| 2015-16 | 16,199 |
| 2016-17 | 33,397 |
| 2017-18 | 24,401 |
| 2018-19 | 30,071 |
| 2019-20 | 17,900 |

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

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in a cumulative assessed value reduction of \$377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately \$4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of \$244.01 million (equating to a reduction of approximately \$2.84 million in General Fund taxes). Of the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the City and County of San Francisco. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board (“AAB”) within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If the 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely.

As of June 30, 2020, the total number of open appeals before the AAB was 1,166. During the fiscal year 2019-20 there were 1,417 new applications filed. The difference between the current assessed value and the taxpayer’s opinion of values for all the open applications is \$15.7 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer’s requests, a negative potential total property tax impact of about \$185.7 million would result. The General Fund’s portion of that potential \$185.7 million would be approximately \$87.4 million. As of December 31, 2020, the total number of open appeals before the AAB was 3,065, which represents a total negative potential property tax impact of \$382.7 million. Of this, 2,173 appeals, representing a total a total negative potential property tax impact of \$204.2 million, were filed in fiscal year 2020-21. This potential negative impact would only be realized to the extent appeals were heard by the Assessment Appeals Board and assessed values are actually reduced to the value asserted by property owners. Actual reductions have historically been much lower than values asserted by property owners in appeals, given the large number of appeals that are eventually withdrawn. Of the 994 appeals closed during fiscal year 2019-20, 701, or 70.5% of appeals, were withdrawn.

Nearly all of the appeal applications filed during fiscal year 2020-21 challenge the assessed value of property for fiscal year 2020-21. However, because the assessed value of secured property for fiscal year 2020-21 is determined by the Assessor as of the January 1, 2020 lien date, which predates the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from fiscal year 2020-21 appeal applications. However, the effects of the pandemic and ensuing recession will likely increase the number of future appeals. Additionally, under Proposition 8, adopted by California voters in 1978, the Assessor could on its own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again exceeds the maximum assessed value calculated under Proposition 13.

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

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2019-20 was \$3.3 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City budgeted to receive \$2.0 billion in the General Fund and \$235.1 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive approximately \$199.8 million and \$37.4 million, respectively, and the local ERAF was estimated to receive \$401.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency was estimated to receive approximately \$171.3 million. The remaining portion will be allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund is allocated about 47.1% of total property tax revenue before adjusting for the VLF backfill shift and excess ERAF.

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

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

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

Recorder, to secure payment of the taxes owed. Other property is placed on the “unsecured roll.”

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

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

In connection with the COVID-19 pandemic, property owners unable to pay their April 10, 2020 property taxes by May 15, 2020 due to COVID-19 were able to request a penalty waiver. Pursuant to the Governor’s Executive Order N-61-20, if a property owner was approved for a waiver and was unable to pay property taxes for a primary residence or small business due to COVID-19, an extension until May 6, 2021 was granted without any late payment penalties. As of April 2021, 1,344 secured parcels and 318 unsecured parcels, representing a total property tax amount of \$17.7 million, remain unpaid. If these parcels remain unpaid after May 6, 2021, the parcel owners will be delinquent and may seek waivers under the normal course available to them under the California Revenue and Taxation Code. Even under the Governor’s Executive Order N-61-20 waiver program, San Francisco’s delinquent rate on secured parcels for fiscal year 2019-20 was less than 1.0%.

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

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2019-20
(000s)

| Year Ended | Amount Funded |
|------------|---------------|
| 2013-14 | \$19,654 |
| 2014-15 | 20,569 |
| 2015-16 | 22,882 |
| 2016-17 | 24,882 |
| 2017-18 | 25,567 |
| 2018-19 | 29,126 |
| 2019-20 | 31,968 |

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2020 are shown in Table A-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

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

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

¹ Certain parcels fall within RDA project areas.

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

³ The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

⁴ Nonprofit organization that is exempt from property taxes.

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

Taxation of State-Assessed Utility Property

A portion of the City’s total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions assessed as part of a “going concern” rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2020-21 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

OTHER CITY TAX REVENUES

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

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

See Table A-10 below for a summary of revenue source as a percentage of total General Fund revenue based on audited financials for fiscal year 2019-20 and the Original Budget for fiscal year 2020-21.

TABLE A-10

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

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

Business Taxes

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

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

Business tax revenue in fiscal year 2019-20 was \$833.9 million (all funds), representing a decrease of \$85.6 million (9.3%) from fiscal year 2018-19. The fiscal year 2020-21 Nine Month Projection is \$632.4 million, a decrease of \$201.6 million (24.2%) from the fiscal year 2019-20 figures. The fiscal year 2021-22 Mayor’s proposed budget is \$959.6 million, an increase of \$327.3 million (51.8%) from the fiscal year 2020-21 Nine Month Projection. The fiscal year 2022-23 Mayor’s proposed budget is \$1,067.9 million, an increase of \$108.2 million (11.3%) from the fiscal year 2021-22 figure. The vast majority of the City’s business tax is deposited in the General Fund; approximately \$2.5 million is allocated to the Neighborhood Beautification Fund annually. These figures do not include gross receipts revenue related to homeless gross receipts or commercial rents tax, authorized by voters through June 2018 Proposition C and November 2018 Proposition C.

Revenues from business tax and registration fees have generally followed economic conditions in the City, primarily employment and wage growth. The response to the COVID-19 pandemic has significantly affected them, and the City’s economic condition is still in distress relative to pre-pandemic levels. The unemployment rate peaked at 12.6 percent in April 2020 and declined steadily since then, reaching 5.4 percent in March 2021, higher than at any point pre-pandemic since 2013. In January and February 2020, before shelter-in-place was first instituted, weekly initial claims for unemployment were less than 1,000. As of May 2021, weekly initial claims remained just over 4,000, a number which has remained level since October 2021. With low COVID-19 case rates and high vaccination rates, the City’s economic condition is projected to continue improving.

The Mayor’s proposed budget assumes economic growth of 6% in tax year 2021 and growth of 4% in tax year 2022, reflecting a quick recovery of employment lost to public health mandates. The projection also takes into account the Mayor’s policies to provide relief to businesses during the pandemic through: (1) the deferral of business registration taxes owed in fiscal year 2019-20 to fiscal year 2020-21 and (2) the deferral of business tax payments for small businesses throughout the tax period to February 2021. The fiscal years

2020-21 and 2021-22 projections also take into account an ordinance approved by the Board in January 2021 which extends the deadline to (1) pay license fees originally due on March 31, 2020 and March 31, 2021 to November 1, 2021, (2) pay business registration fees originally due on June 1, 2020 to April 30, 2021, and (3) pay and file returns for certain business taxes for the 2020 tax year to April 30, 2021. In addition, Proposition F adopted by voters in November 2020 is assumed to generate \$4.0 million of business tax in fiscal year 2020-21 and \$23.0 million in fiscal year 2021-22 as intended.

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

In the medium- to long-term, permanent relocations out of the San Francisco area could have a larger impact on the City's tax base. The Nine Month projections and Mayor's proposed budget assume that in the third quarter of calendar year 2021, 75% of workers in Professional, Financial, and Administrative Services and the Information sectors who live outside of San Francisco now work from home instead of commuting into the City. In the fourth quarter of 2021 and the first two quarters of 2022, the Mayor's proposed budget assumes 50% of these workers will work from home. Thereafter, it assumes 25% will work from home. This long-term reduction of 25% of commuters into the City results in an estimated 5.5% reduction in Gross Receipts taxes relative to pre-pandemic levels.

See "CITY BUDGET - Other Budget Updates" and ""RECENT DEVELOPMENTS" for a summary of the most recent projections.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds
Fiscal Years 2017-18 through 2022-23
(000s)

| Fiscal Year ¹ | Revenue | Change | Change % |
|---------------------------------------|-----------|-----------|----------|
| 2017-18 | 899,142 | 196,811 | 28.0% |
| 2018-19 | 919,552 | 20,410 | 2.3% |
| 2019-20 | 833,931 | (85,621) | -9.3% |
| 2020-21 <i>projected</i> ² | 632,350 | (201,581) | -24.2% |
| 2021-22 <i>budgeted</i> ³ | 959,640 | 327,290 | 51.8% |
| 2022-23 <i>budgeted</i> ³ | 1,067,850 | 108,210 | 11.3% |

¹ Figures for fiscal years 2017-18 through 2019-20 are actuals. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax.

² Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

³ Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget, June 1, 2021.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2019-20 ended at \$281.6 (all funds) million, a decrease of \$132.7 million (32.0%) from fiscal year 2018-19. The Nine Month Projection for fiscal year 2020-21 reflects expected hotel tax revenue of \$28.2 million, a decrease of \$253.5 million (90.0%) from fiscal year 2019-20. The fiscal year 2021-22 proposed budget is \$92.9 million, an increase of \$64.8 million (230.0%) from fiscal year 2020-21 projection. The fiscal year 2022-23 proposed budget is \$268.6 million, an increase of \$175.6 million (189.0%) from fiscal year 2021-22. Table A-12 includes hotel tax in all funds. Slightly less than 90 percent of the City's hotel tax is allocated to the General Fund, with 10.7% allocated to arts and cultural organizations and approximately \$5 million for debt service on hotel tax revenue bonds.

The significant decline in fiscal year 2020-21 revenue is due to the far-reaching impact of the pandemic on San Francisco's travel and hospitality industries for the majority of the fiscal year. San Francisco's hotels are, on average, in the higher-priced tiers and rely on business travelers and tourists who arrive by air. Because of the COVID-19 pandemic, air travel is perceived as highly risky, and higher tier hotels are expected to be the slowest class of hotels to recover in this economic climate. Large gatherings and conferences, which normally drive up rates through compression pricing, have only recently been allowed. As of May 2021, the majority San Francisco hotels have re-opened, and room supply has recovered to 83.5% of pre-pandemic levels. Occupancy rates for those that were open averaged 38.0%. Adjusted for room supply, the occupancy rate was 31.7%, an improvement of 221.6% from the same period last year, but still a dramatic reduction of 62.4% from May 2019 occupancy. The projected recovery of hotel tax revenue in fiscal year 2021-22 and

2022-23 is largely based on the assumption that widespread vaccination uptake will lead to a resumption in large in-person gatherings.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of changes in occupancy and average daily room rates (ADR), and generally grew between fiscal years 2011-12 and 2018-19. During the first seven months of fiscal year 2019-20, RevPAR grew by 2.8% on average over the same period prior year. As airlines began suspending flights to and from China in February 2020, RevPAR decreased 10.9%. The decline sharpened with the shelter in place order in March 2020, and RevPAR in the City reached its record low of \$15.89 in April 2020, a 92.7% decrease from the same month prior year. Since then, as the City has slowly eased restrictions, RevPAR has increased slightly, to \$54.75 in May 2021. Adjusted for room supply, RevPAR was \$45.71, an improvement of 338.7% from the same period last year, but still a 79.6% decrease from the same month in 2019. RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2025-26.

See “CITY BUDGET - Five-Year Financial Plan” and “RECENT DEVELOPMENTS” for a summary of the most recent projections.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2017-18 through 2022-23
(000s)

| Fiscal Year ² | Tax Rate | Revenue | Change | |
|---------------------------------------|----------|---------|-----------|--------|
| 2017-18 | 14.0% | 385,550 | 10,259 | 2.7% |
| 2018-19 | 14.0% | 414,343 | 28,792 | 7.5% |
| 2019-20 | 14.0% | 281,615 | (132,728) | -32.0% |
| 2020-21 <i>projected</i> ³ | 14.0% | 28,162 | (253,453) | -90.0% |
| 2021-22 <i>budgeted</i> ⁴ | 14.0% | 92,930 | 64,768 | 230.0% |
| 2021-22 <i>budgeted</i> ⁴ | 14.0% | 268,577 | 175,647 | 189.0% |

¹ Amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which took effect January 1, 2019.

² Figures for fiscal year 2017-18 through 2019-20 are actuals.

³ Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

⁴ Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget from June 1, 2021. Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

Real property transfer tax (RPTT) is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. After the passage of Proposition W on November 8, 2016, transfer tax rates were \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000

for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$27.50 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million; and \$30.00 per \$1,000 for properties valued at more than \$25.0 million. After the passage of Proposition I in November 2020, transfer tax rates were doubled for the two highest tiers, to \$55.00 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million and \$60.00 per \$1,000 for properties valued at more than \$25.0 million.

RPTT revenue for fiscal year 2019-20 ended at \$334.5 million, a \$29.5 million (8.1%) decrease from fiscal year 2018-19 revenue. The fiscal year 2020-21 Nine Month projection is \$326.3 million, a decrease of \$8.2 million (2.5%) from fiscal year 2019-20. The fiscal year 2021-22 proposed budget is \$350.1 million, an increase of \$236.8 million (7.3%) from fiscal year 2020-21 projection. The fiscal year 2022-23 proposed budget is \$373.9 million, an increase of \$23.8 million (6.8%) from fiscal year 2021-22. The entirety of RPTT revenue is recorded in the General Fund.

The Nine Month projection and Mayor's proposed budget assume that market uncertainty will result in fewer transfers of commercial properties in fiscal year 2020-21, but the City will return to its rate-adjusted, long-term average by fiscal year 2023-24.

As the City's most volatile revenue source, RPTT collections can see large year-over-year changes that have exceeded 70% in some instances. The main factors creating volatility are sales of high-value properties, availability of financing, and the relative attractiveness of San Francisco real estate compared to global investment options, all of which track closely with economic cycles, as well as voter-approved rate changes, which occurred in 2008, 2010, 2016, and 2020. The volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over \$25 million. In fiscal year 2008-09, transactions above \$25 million would have generated only \$10.6 million under the current rates compared to the peak in fiscal year 2016-17, when these transactions generated \$295.8 million. Since the end of the recession in fiscal year 2009-10, these large transactions made up on average 58.0% of total revenue but only 0.6% of the transaction count. This means that revenue is determined by a small handful of transactions. In the past two recessions, the taxes collected on large transactions fell dramatically.

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TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts - All Funds
Fiscal Years 2017-18 through 2022-23
(000s)

| Fiscal Year ¹ | Revenue | Change | |
|---------------------------------------|---------|-----------|--------|
| 2017-18 | 280,416 | (130,145) | -31.7% |
| 2018-19 | 364,044 | 83,628 | 29.8% |
| 2019-20 | 334,535 | (29,509) | -8.1% |
| 2020-21 <i>projected</i> ² | 326,300 | (8,235) | -2.5% |
| 2021-22 <i>budgeted</i> ³ | 350,110 | 23,810 | 7.3% |
| 2022-23 <i>budgeted</i> ³ | 373,910 | 23,800 | 6.8% |

¹ Figures for fiscal year 2017-18 through 2019-20 are actuals

² Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

³ Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget, June 1, 2021.

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

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City.

The components of San Francisco's 8.5% sales tax rate are shown in Table A-14. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

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TABLE A-14

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

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

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

Local sales tax (the 1% portion) revenue in fiscal year 2019-20 was \$180.2 million, \$33.4 million (15.7%) less than fiscal year 2018-19. The fiscal year 2020-21 Nine Month Report projects \$132.2 million, a decrease of \$48.0 million (26.6%) from fiscal year 2019-20. The fiscal year 2021-22 proposed budget is \$145.7 million, an increase of \$13.6 million (10.2%) from fiscal year 2020-21. The fiscal year 2022-23 proposed budget is \$174.9 million, an increase of \$29.1 million (20.0%) from fiscal year 2021-22. The entirety of sales tax revenue is recorded in the General Fund.

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

The decline in sales tax forecast in fiscal year 2020-21 is driven by losses at restaurants, hotels, and non-essential retail because of the loss of daytime population from the COVID-19 pandemic as well as business closures and capacity reductions. Besides lower daytime population from the lack of travelers and in-commuters who shop and dine out, San Francisco also experienced significant out-migration of its residents during the COVID-19 public health emergency. The estimated impact of the pandemic on San Francisco's population varies from a decline of roughly 2 to 7 percent between 2019 and 2020. As a result, sales tax collected from online retailers did not offset losses at brick-and-mortar stores in San Francisco, unlike nearly every other California county. As businesses reopen to full capacity over fiscal years 2021-22 and 2022-23, the budget assumes rapid growth in sales tax revenue from restaurant, hospitality and non-essential retail activity, but it will not reach pre-pandemic levels until fiscal year 2025-26.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2017-18 through 2022-23
General Fund
(000s)

| Fiscal Year ¹ | Tax Rate | City Share | Revenue | Change | |
|---------------------------------------|----------|------------|---------|----------|--------|
| 2017-18 | 8.50% | 1.00% | 192,946 | 3,473 | 1.8% |
| 2018-19 | 8.50% | 1.00% | 213,625 | 20,679 | 10.7% |
| 2019-20 | 8.50% | 1.00% | 180,184 | (33,441) | -15.7% |
| 2020-21 <i>projected</i> ² | 8.50% | 1.00% | 132,200 | (47,984) | -26.6% |
| 2021-22 <i>budgeted</i> ³ | 8.50% | 1.00% | 145,740 | 13,540 | 10.2% |
| 2022-23 <i>budgeted</i> ³ | 8.50% | 1.00% | 174,880 | 29,140 | 20.0% |

¹ Figures for fiscal year 2017-18 through fiscal year 2019-20 are actuals.

² Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

³ Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget, June 1, 2021.

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- Access Line Tax ("ALT") – A charge of \$3.73 on every telecommunications line, \$28.02 on every trunk line, and \$504.40 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.
- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.
- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Proposition V) and took effect on January 1, 2018.
- Stadium Admission Tax – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any event, with some specific exclusions.
- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to

tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D). The tax was originally slated to go into effect on January 1, 2021, but in December 2021, the Board delayed the imposition of the tax by one year. The cannabis tax will now take effect beginning January 1, 2022.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.
- Tax on Executive Pay – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses’ highest-paid managerial employee compared to the median compensation paid to the businesses’ employees based in the City exceeds a ratio of 100:1. The measure takes effect on January 1, 2022 for tax year 2022, so revenues will not be received until fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, annual fluctuations in the value and form of executive compensation, and tax-avoidance risk associated with tax increases. Estimates based on prior years’ activity may not be predictive of future revenues.

Table A-16 reflects the City’s actual tax receipts for fiscal years 2017-18 through 2019-20, projected amounts for fiscal year 2020-21 and proposed budget for fiscal years 2021-22 and 2022-23.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the course of the COVID-19 pandemic and pace of economic recovery. Consistent with the other tax revenues, the Nine Month Report for fiscal year 2020-21 assumes that the local economy continues to be depressed for most of the fiscal year but begins its recovery in the final quarter of the fiscal year and into fiscal years 2021-22 and 2022-23. See “CITY BUDGET - Five-Year Financial Plan” AND “RECENT DEVELOPMENTS” for a summary of the most recent projections.

TABLE A-16

| CITY AND COUNTY OF SAN FRANCISCO | | | | | | |
|--------------------------------------|----------|----------|----------|------------------------|---------------------|---------------------|
| Other Local Taxes | | | | | | |
| Fiscal Years 2017-18 through 2022-23 | | | | | | |
| General Fund | | | | | | |
| (000s) | | | | | | |
| Tax | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| | Actuals | Actuals | Actuals | Projected ¹ | Budget ² | Budget ² |
| Utility Users Tax | \$94,460 | \$93,918 | \$94,231 | \$74,200 | \$77,650 | \$83,700 |
| Access Line Tax | 51,255 | 48,058 | 49,570 | 48,300 | 49,640 | 51,260 |
| Parking Tax | 83,484 | 86,020 | 69,461 | 43,000 | 55,900 | 68,800 |
| Sugar Sweetened Beverage Tax | 7,912 | 16,098 | 13,182 | 10,464 | 12,230 | 14,000 |
| Stadium Admissions Tax | 1,120 | 1,215 | 2,730 | 240 | 3,600 | 5,400 |
| Cannabis Tax | N/A | N/A | N/A | N/A | 4,400 | 8,800 |
| Franchise Tax | 16,869 | 15,640 | 16,028 | 14,670 | 14,250 | 13,950 |
| Tax on Executive Pay | N/A | N/A | N/A | N/A | N/A | 60,000 |

¹ Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

² Figures for fiscal years 2021-22 and 2022-23 reflect Mayor’s Proposed Budget, June 1, 2021.

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

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

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

Table A-17 reflects the City’s actual receipts for fiscal years 2017-18 through 2019-20, Nine Month Report projections for fiscal year 2020-21 and amounts in the Mayor’s proposed budget for fiscal years 2021-22 through 2022-23. State-wide sales tax has performed better than local sales tax, and is expected to recover faster than the City; therefore, formula-driven subventions are expected to grow faster than local sales tax. The State of California temporarily backfilled county realignment revenues in fiscal year 2020-21. The value of this backfill to the City and County of San Francisco is \$28.0 million.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2017-18 through 2022-23
(\$millions)

| Tax | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|----------------|----------------|----------------|------------------------|------------------------------|------------------------------|
| | Actuals | Actuals | Actuals | Projected ¹ | Proposed Budget ² | Proposed Budget ² |
| Health and Welfare Realignment | | | | | | |
| General Fund | \$197.9 | \$217.6 | \$219.6 | \$211.0 | \$231.6 | \$223.4 |
| Hospital Fund | 57.3 | 58.5 | 54.1 | 54.1 | 54.3 | 54.3 |
| Total - Health and Welfare | \$255.2 | \$276.1 | \$273.7 | \$265.1 | \$286.0 | \$277.7 |
| Backfill Realignment³ | | | | | | |
| General Fund | | | | \$22.1 | | |
| Non General Fund | | | | 6.0 | | |
| Total - Backfill Realignment | | | | \$28.0 | | |
| Public Safety Realignment (General Fund) | \$37.4 | \$39.4 | \$41.1 | \$38.8 | \$45.2 | \$45.2 |
| Public Safety Sales Tax (Prop 172) (General Fund) | \$104.8 | \$107.6 | \$103.9 | \$107.6 | \$82.0 | \$80.4 |

1 1 Figure for fiscal year 2020-21 reflects projections from the Nine-Month Report Budget Status Report, May 14, 2021.

2 Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget from June 1, 2021.

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

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

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in Table A-18 below:

TABLE A-18

| CITY AND COUNTY OF SAN FRANCISCO | | | | | | |
|--|----------------------------|----------------------------|----------------------------|--|--|--|
| Expenditures by Major Service Area | | | | | | |
| Fiscal Years 2017-18 through 2022-23 | | | | | | |
| (000s) | | | | | | |
| Major Service Areas | 2017-18 Final Budget | 2018-19 Final Budget | 2019-20 Final Budget | 2020-21 Original Budget ¹ | 2021-22 Proposed Budget ² | 2022-23 Proposed Budget ² |
| Public Protection | \$1,316,870 | \$1,390,266 | \$1,493,240 | \$1,448,004 | \$1,511,140 | \$1,551,743 |
| Human Welfare & Neighborhood Development | 1,047,458 | 1,120,892 | 1,270,530 | 1,477,225 | 1,417,298 | 1,335,917 |
| Community Health | 832,663 | 967,113 | 1,065,051 | 1,152,275 | 1,056,434 | 1,062,425 |
| General Administration & Finance | 259,916 | 290,274 | 332,296 | 363,650 | 475,678 | 409,821 |
| Culture & Recreation | 142,081 | 154,056 | 161,274 | 158,511 | 221,888 | 186,907 |
| General City Responsibilities | 114,219 | 172,028 | 137,851 | 219,635 | 229,753 | 241,416 |
| Public Works, Transportation & Commerce | 238,564 | 214,928 | 216,824 | 186,729 | 221,712 | 191,364 |
| Total ² | \$3,951,771 | \$4,309,557 | \$4,677,066 | \$5,006,029 | \$5,133,902 | \$4,979,593 |

¹ Figures for fiscal year 2020-21 from Final Adopted Budget, Oct. 1, 2020.

² Figures for fiscal year 2021-22 and 2022-23 from Mayor's Proposed Budget, June 1, 2021.

³ Total may not add due to rounding

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

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

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 reflects fiscal year 2021-22 and 2022-23 spending requirements in Mayor's proposed budget. These mandates are generally budgeted as transfers out of the General Fund or allocations of property tax revenue.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
FY 2021-22 and FY 2022-23
(\$millions)

| | 2021-22 Proposed Budget ¹ | 2022-23 Proposed Budget ¹ |
|--|--|--|
| <i>Projected General Fund Aggregate Discretionary Revenue (ADR)</i> | \$3,847.5 | \$4,355.2 |
| Municipal Transportation Agency (MTA) | | |
| MTA - Municipal Railway Baseline: 6.686% ADR | \$268.9 | \$307.7 |
| MTA - Parking & Traffic Baseline: 2.507% ADR | 96.5 | 109.2 |
| MTA - Population Adjustment | 57.6 | 59.8 |
| MTA - 80% Parking Tax In-Lieu | 44.7 | 55.0 |
| Subtotal - MTA | \$467.7 | \$531.7 |
| Library Preservation Fund | | |
| Library - Baseline: 2.286% ADR | \$87.9 | \$99.6 |
| Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV) | 68.9 | 71.9 |
| Subtotal - Library | \$156.9 | \$171.5 |
| Children's Services | | |
| <i>Children's Services Baseline - Requirement: 4.830% ADR</i> | \$185.8 | \$210.3 |
| Children's Services Baseline - Eligible Items Budgeted | 223.1 | 210.4 |
| <i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i> | 22.3 | 25.3 |
| Transitional Aged Youth Baseline - Eligible Items Budgeted | 36.2 | 36.2 |
| Public Education Services Baseline: 0.290% ADR | 10.4 | 11.2 |
| Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV | 110.3 | 115.1 |
| <i>Public Education Enrichment Fund: 3.057% ADR</i> | 117.6 | 133.1 |
| 1/3 Annual Contribution to Preschool for All | 39.2 | 44.4 |
| 2/3 Annual Contribution to SF Unified School District | 78.4 | 88.8 |
| Subtotal - Children's Services | \$497.6 | \$506.0 |
| Recreation and Parks | | |
| Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV | \$68.9 | \$71.9 |
| <i>Recreation & Parks Baseline - Requirement</i> | 79.2 | 82.2 |
| Recreation & Parks Baseline - Budgeted | 93.5 | 85.9 |
| Subtotal - Recreation and Parks | \$162.4 | \$157.8 |
| Other | | |
| <i>Housing Trust Fund Requirement</i> | \$42.4 | \$45.2 |
| Housing Trust Fund Budget | 60.0 | 45.2 |
| Dignity Fund | 53.1 | 56.1 |
| Street Tree Maintenance Fund: 0.5154% ADR | 19.8 | 22.4 |
| Municipal Symphony Baseline: \$0.00125 per \$100 NAV | 3.7 | 3.9 |
| City Services Auditor: 0.2% of Citywide Budget | 23.4 | 22.3 |
| Subtotal - Other | \$160.1 | \$149.9 |
| Recently Adopted Expenditure Requirements | | |
| <i>Our City, Our Home Baseline Requirement (Nov 2018 Prop C)</i> | 215.0 | 215.0 |
| Our City, Our Home Budget, Estimated | 324.0 | 337.2 |
| <i>Early Care and Education Baseline Requirement (June 2018 Prop C)</i> | 85.1 | 96.3 |
| Early Care and Education Budget | 91.3 | 96.5 |
| Total Baselines and Set-Asides | \$1,860.0 | \$1,950.6 |

¹ Figures for fiscal years 2021-22 and 2022-23 reflect Mayor's Proposed Budget from June 1, 2020.

EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.6 billion in fiscal year 2020-21 Original Budget (all funds), and proposed to be \$6.0 billion and \$6.2 billion in fiscal years 2021-22 and 2022-23 in the Mayor's Proposed Budget. For the General Fund, the combined salary and benefits original budget is \$2.7 billion in fiscal year 2020-21 and proposed to be \$2.8 billion and \$2.9 billion in fiscal years 2021-22 and 2022-23 in the Mayor's proposed budget.

This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-employment health and medical benefits. Employees of SF Unified School District ("SFUSD"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's Original Budget for fiscal year 2020-21 included 38,267 full-time and part-time budgeted and funded City positions. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

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

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

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

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

for fiscal year 2020-21 in excess of \$200 million, the scheduled wage increases as described above were delayed by approximately six months. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 increase by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds \$200 million.

In September 2020, the City negotiated MOU extensions with labor organizations representing sworn members of Fire and Police departments. These MOUs have been extended two years to now expire on June 30, 2023. The parties agreed to the 3.00% General Wage increase previously deferred until December 26, 2020 to be split and deferred as follows: 1.00% deferred until close of business on June 30, 2022, 2.00% deferred until close of business on June 30, 2023. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021, with a provision to delay the fiscal year 2021-22 increase by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds \$200 million. For fiscal year 2022-23, the parties agreed to a wage increase schedule of 3% on July 1, 2022, with a provision to delay the fiscal year 2022-23 increase by six months if the City's deficit for fiscal year 2022-23, as projected in the March 2022 Update to the Five-Year Financial Plan, exceeds \$200 million.

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

The March Joint Report does not project a \$200 million deficit, so any delays to wage increases predicated on such a deficit, as described above, will not take place. See "RECENT DEVELOPMENTS."

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TABLE A-20

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

| Organization | City Budgeted Positions | Expiration Date of MOU |
|--|------------------------------------|-----------------------------------|
| Automotive Machinists, Local 1414 | 512 | 30-Jun-22 |
| Bricklayers, Local 3 | 6 | 30-Jun-22 |
| Building Inspectors' Association | 91 | 30-Jun-22 |
| Carpenters, Local 22 | 114 | 30-Jun-22 |
| Cement Masons, Local 300 | 43 | 30-Jun-22 |
| Deputy Probation Officers' Association (DPOA) | 133 | 30-Jun-22 |
| Deputy Sheriffs' Association (DSA) | 812 | 30-Jun-22 |
| District Attorney Investigators' Association (DAIA) | 45 | 30-Jun-22 |
| Electrical Workers, Local 6 | 968 | 30-Jun-22 |
| Firefighters' Association, Local 798 | 1,912 | 30-Jun-21 |
| Glaziers, Local 718 | 14 | 30-Jun-22 |
| Hod Carriers, Local 36 | 4 | 30-Jun-22 |
| IATSE, Local 16 | 29 | 30-Jun-22 |
| Ironworkers, Local 377 | 14 | 30-Jun-22 |
| Laborers, Local 261 | 1,169 | 30-Jun-22 |
| Municipal Attorneys' Association (MAA) | 476 | 30-Jun-22 |
| Municipal Executives' Association (MEA) Fire | 9 | 30-Jun-21 |
| Municipal Executives' Association (MEA) Miscellaneous | 1,499 | 30-Jun-22 |
| Municipal Executives' Association (MEA) Police | 16 | 30-Jun-21 |
| Operating Engineers, Local 3 Miscellaneous | 67 | 30-Jun-22 |
| Operating Engineers, Local 3 Supervising Probation | 31 | 30-Jun-22 |
| Painters, SF Workers United | 133 | 30-Jun-22 |
| Pile Drivers, Local 34 | 27 | 30-Jun-22 |
| Plumbers, Local 38 | 358 | 30-Jun-22 |
| Police Officers' Association (POA) | 2,669 | 30-Jun-21 |
| Professional and Technical Engineers, Local 21 | 6,541 | 30-Jun-22 |
| Roofers, Local 40 | 12 | 30-Jun-22 |
| SEIU, Local 1021 Misc | 12,830 | 30-Jun-22 |
| SEIU, Local 1021 Nurses | 1,736 | 30-Jun-22 |
| Sheet Metal Workers, Local 104 | 39 | 30-Jun-22 |
| Sheriffs' Supervisory and Management Association (MSA) | 117 | 30-Jun-22 |
| Soft Tile Workers, Local 12 | 4 | 30-Jun-22 |
| Stationary Engineers, Local 39 | 687 | 30-Jun-22 |
| Teamsters, Local 853 | 187 | 30-Jun-22 |
| Teamsters, Local 856 Miscellaneous | 96 | 30-Jun-22 |
| Teamsters, Local 856 Supervising Nurses | 130 | 30-Jun-22 |
| TWU, Local 200 | 425 | 30-Jun-22 |
| TWU, Local 250-A (9132 Transit Fare Inspectors) | 45 | 30-Jun-22 |
| TWU, Local 250-A (9163 Transit Operator) | 2,720 | 30-Jun-22 |
| TWU, Local 250-A Auto Service Work | 145 | 30-Jun-22 |
| TWU, Local 250-A Miscellaneous | 109 | 30-Jun-22 |
| Union of American Physicians and Dentists (UAPD) | 201 | 30-Jun-22 |
| Unrepresented Employees | 90 | 30-Jun-22 |
| Other | 1,002 | |
| | 38,267 | ¹ |

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

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

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

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

History and Administration

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

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2020 is 45,070, compared to 44,157 at July 1, 2019. Active membership at July 1, 2020 includes 9,478 terminated vested members and 1,071 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 30,128 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-21 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2016 through July 1, 2020. The number of retirees supported by each active member can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the System. In particular, if the ratio of retirees to active members grows, it indicates that any losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. The ratio for SFERS has been relatively stable over the last five years.

TABLE A-21

**City and County of San Francisco
Employees' Retirement System
July 1, 2016 through July 1, 2020**

| As of July 1st | Active Members | Vested Members | Reciprocal Members | Total Non-retired | Retirees & Continuants | Retiree to Active Ratio |
|-------------------|-------------------|-------------------|-----------------------|----------------------|---------------------------|----------------------------|
| 2016 | 32,406 | 6,617 | 1,028 | 40,051 | 28,286 | 0.873 |
| 2017 | 33,447 | 7,381 | 1,039 | 41,867 | 29,127 | 0.871 |
| 2018 | 33,946 | 8,123 | 1,060 | 43,129 | 29,965 | 0.883 |
| 2019 | 34,202 | 8,911 | 1,044 | 44,157 | 29,490 * | 0.862 |
| 2020 | 34,521 | 9,478 | 1,071 | 45,070 | 30,128 * | 0.873 |

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

Notes: Member counts are for the entire Retirement System and include non-City employees.
* Retiree member counts reflect combining records for members who have both a Safety and a Miscellaneous benefit.

Funding Practices

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

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

At the December 9, 2020 Retirement Board meeting, the Board adopted all recommended demographic assumptions from the experience study dated August 12, 2020. The most significant adjustment was the update to the new Society of Actuaries public plan mortality tables, Pub-2010, for both general and safety members. The Board also adopted lower price and wage inflation rates, from 2.75% to 2.50% and from 3.50% to 3.25%, respectively. The new assumptions are first effective for the July 1, 2020 actuarial

valuation. The Board had previously voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40% at its November 2018 meeting, effective for the July 1, 2018 actuarial valuation.

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

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

Employer Contribution History and Annual Valuations

Fiscal year 2019-20 City employer contributions to the Retirement System were \$701.3 million, which includes \$388.4 million from the General Fund. For fiscal year 2020-21, total City employer contributions to the Retirement System are budgeted at \$739.3 million, which includes \$457.7 million from the General Fund. These budgeted amounts are based upon the fiscal year 2020-21 employer contribution rate of 26.90% (estimated to be 23.5% after the 2011 Proposition C cost-sharing provisions). Employer contribution rates anticipate annual increases in pensionable payroll of 3.5%, and total contributions to the Retirement System could continue to climb even as contribution rates decline. As discussed under "City Budget – Five-Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-22 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2015-16 through 2019-20. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-22

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2015-2016 through 2019-2020
(Amounts in 000s)

| As of July 1st | Actuarial Liability | Market Value of Assets | Actuarial Value of Assets | Market Percent Funded | Actuarial Percent Funded | Employee & Employer Contributions in prior FY | Employer Contribution Rates ¹ in prior FY |
|-------------------|------------------------|---------------------------|------------------------------|-----------------------------|--------------------------------|--|---|
| 2016 | \$ 24,403,882 | \$ 20,154,503 | \$ 20,654,703 | 82.6% | 84.6% | \$ 849,569 | 22.80% |
| 2017 | 25,706,090 | 22,410,350 | 22,185,244 | 87.2% | 86.3% | 868,653 | 21.40% |
| 2018 | 27,335,417 | 24,557,966 | 23,866,028 | 89.8% | 87.3% | 983,763 | 23.46% |
| 2019 | 28,798,581 | 26,078,649 | 25,247,549 | 90.6% | 87.7% | 1,026,036 | 23.31% |
| 2020 | 29,499,918 | 26,620,218 | 26,695,844 | 90.2% | 90.5% | 1,143,634 | 25.19% |

¹ Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2020-21 and 2021-22 are 26.90% and 24.41%, respectively.

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

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

As shown in the table above as of July 2020, the Market Percent Funded ratio is slightly lower than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset losses from the last five fiscal years.

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

Risks to City's Retirement Plan

In its 2020 actuary report, Cheiron identified three primary risks to the System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental COLA risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future Supplemental COLAs to increase contribution rates. Cheiron noted stress testing the supplemental COLA provision shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk prudently.

Governmental Accounting Standards Board ("GASB") Disclosures

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAs that have already been granted as of the valuation date. Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-23 below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-23

| City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2015-16 through 2019-20 (000s) | | | | | | |
|---|--|------------------|--------------------------------|-------------------------------------|--|--|
| As of June 30th | Collective Total Pension Liability (TPL) | Discount Rate | Plan Fiduciary Net Position | Plan Net Position as % of TPL | Collective Net Pension Liability (NPL) | City and County's Proportionate Share of NPL |
| 2016 | \$25,967,281 | 7.50 % | \$20,154,503 | 77.6 % | \$5,812,778 | \$5,476,653 |
| 2017 | 27,403,715 | 7.50 | 22,410,350 | 81.8 | 4,993,365 | 4,697,131 |
| 2018 | 28,840,673 | 7.50 | 24,557,966 | 85.2 | 4,282,707 | 4,030,207 |
| 2019 | 30,555,289 | 7.40 | 26,078,649 | 85.3 | 4,476,640 | 4,213,807 |
| 2020 | 32,031,018 | 7.40 | 26,620,218 | 83.1 | 5,410,800 | 5,107,271 |

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.

Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

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

Asset Management

The assets of the Retirement System, (the “Fund”) are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2020 was 7.25%. For the ten-year and twenty-year periods ending June 30, 2020, annualized investment returns were 9.39% and 6.05% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System’s investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. These documents are not incorporated herein by reference.

2011 Voter Approved Changes to the Retirement Plan

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

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

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City’s funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between \$50,000 and \$100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5% and those who earn \$100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

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

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2020, the audited market value of Retirement System assets was \$26.6 billion. As of May 31, 2021, the unaudited value of the System assets was \$33.9 billion. These values represent, as of the date specified, the estimated value of the Retirement System’s portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System’s financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the

search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS was \$40.8 million in fiscal year 2019-20. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under “Medical Benefits – Post-Employment Health Care Benefits and GASB 75 Reporting Requirements.”

Medical Benefits

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

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the “City Beneficiaries”) are administered by the San Francisco Health Service System (the “San Francisco Health Service System” or “SFHSS”) pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court; however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City’s Health Service Board (the “Health Service Board”). The plans (the “SFHSS Medical Plans”) for providing medical care to the City Beneficiaries are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

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

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an “Other Post-Employment Benefits Trust Fund”). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 45”) and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which apply to OPEB trust funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

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

Unions representing approximately 93.3% of City employees, negotiate through collective bargaining rather than applying the “average contribution” to determine the amount the City is required to contribute for active employees. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) (“Nonemployee City Beneficiaries”) are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under “– *Post-Employment Health Care Benefits.*”

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City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the table below.

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

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the “ACA”). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far.

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

- **Excise Tax on High-cost Employer-sponsored Health Plans**

The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. The National Defense Authorization Act for Fiscal Year 2020 repealed the Cadillac tax, effective January 1, 2020.

- **Health Insurance Tax (“HIT”)**

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. The HIT was in effect in 2020 and substantially impacted rates. The tax was repealed effective January 1, 2021 also by the National Defense Authorization Act for Fiscal Year 2020.

- **Medical Device Excise Tax**

The ACA’s medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). The tax was repealed effective January 1, 2020.

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

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

Employer Contributions for San Francisco Health Service System Benefits

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

The 2021 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 3.85%, which is below national trends of 5.5% to 6%. This can be attributed to several factors including aggressive contracting by SFHSS that maintains competition among the City’s vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City’s Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City’s actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City, and reserves are required to protect against this risk. The 2021 aggregate cost of benefits offered by SFHSS to the City increased 3.61% which is also less than the national trends.

Post-Employment Health Care Benefits

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

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

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

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

GASB 75 Reporting Requirements

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

City's Estimated Liability

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

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis. For example, for fiscal year 2019-20 the annual OPEB expense was \$330.6 million, and the City paid \$236.0 million, which includes “pay-as-you-go” benefit payments and contributions to the Retiree Health Care Trust Fund.

TABLE A-24

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

| Fiscal Year | Annual OPEB | Percentage of Annual OPEB Cost Funded | Net OPEB Obligation |
|-------------|-------------|---------------------------------------|------------------------|
| 2015-16 | 326,133 | 51.8% | 2,147,434 |
| 2016-17 | 421,402 | 43.6% | 2,384,938 |
| 2017-18 | 355,186 | 57.4% | 3,717,209 ¹ |
| 2018-19 | 320,331 | 68.2% | 3,600,967 |
| 2019-20 | 330,673 | 76.8% | 3,915,815 |

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

Total City Employee Benefits Costs

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

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

TABLE A-25

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

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

¹ Fiscal year 2016-17 through fiscal year 2019-20 figures are actuals.

² Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

³ "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

⁴ Reflects Final Adopted Budget for 2020-21 and 2021-22 .

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer’s Investment Policy, dated February 2018, is included as an Appendix to this Official Statement.

Investment Portfolio

As of May 31, 2021, the City’s surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

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TABLE A-26

**City and County of San Francisco
Investment Portfolio
Pooled Funds
As of May 31, 2021**

| <u>Type of Investment</u> | <u>Par Value</u> | <u>Book Value</u> | <u>Market Value</u> |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| U.S. Treasuries | \$6,848,860,000 | \$6,882,312,058 | \$6,879,469,753 |
| Federal Agencies | 3,830,451,000 | 3,833,384,799 | 3,855,958,976 |
| Public Time Deposits | 40,000,000 | 40,000,000 | 40,000,000 |
| Negotiable Certificates of Deposit | 1,905,000,000 | 1,905,000,000 | 1,905,384,716 |
| Money Market Funds | 842,012,203 | 842,012,203 | 842,012,203 |
| Supranationals | 462,135,000 | 467,382,124 | 467,775,964 |
| Total | <u>\$13,928,458,203</u> | <u>\$13,970,091,184</u> | <u>\$13,990,601,611</u> |

May Earned Income Yield: 0.466%

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

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TABLE A-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of May 31, 2021

| Maturity in Months | | | Par Value | Percentage |
|--------------------|----|----|-------------------------|----------------|
| 0 | to | 1 | 2,462,012,203 | 17.68% |
| 1 | to | 2 | 988,965,000 | 7.10% |
| 2 | to | 3 | 578,700,000 | 4.15% |
| 3 | to | 4 | 650,000,000 | 4.67% |
| 4 | to | 5 | 655,500,000 | 4.71% |
| 5 | to | 6 | 885,860,000 | 6.36% |
| 6 | to | 12 | 3,837,125,000 | 27.55% |
| 12 | to | 24 | 1,447,140,000 | 10.39% |
| 24 | to | 36 | 665,464,000 | 4.78% |
| 36 | to | 48 | 987,592,000 | 7.09% |
| 48 | to | 60 | 770,100,000 | 5.53% |
| | | | \$13,928,458,203 | 100.00% |

Weighted Average Maturity: 386 Days

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

Further Information

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

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General

Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal years 2022-2031 Capital Plan ("Adopted Capital Plan") was approved by the CPC on February 22, 2021 and was adopted by the Board of Supervisors on April 30, 2021. The Adopted Capital Plan contains \$38.0 billion in capital investments over the coming decade for all City departments, including \$4.6 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes \$1.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is \$1 billion lower than the previous capital plan funding level due to budget impacts in the early years resulting from the COVID-19 pandemic. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites and permanent supportive housing projects; affordable housing; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$1.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Adopted Capital Plan recommends \$18.0 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately \$8.5 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds and general obligation bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's Adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$7.5

billion in capital needs including enhancements are deferred from the plan's horizon.

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds” or “GO bonds”) can only be authorized with a two-thirds approval of the voters. As of July 1, 2021, the City had approximately \$2.7 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-33.

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

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TABLE A-28

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

| Fiscal Year | Principal | Interest | Annual Debt Service |
|--------------------------|------------------------|----------------------|------------------------|
| 2021-22 | \$165,363,401 | \$100,069,319 | \$265,432,720 |
| 2022-23 | 167,815,251 | 92,100,792 | 259,916,043 |
| 2023-24 | 170,921,206 | 84,413,647 | 255,334,852 |
| 2024-25 | 173,156,476 | 76,563,403 | 249,719,878 |
| 2025-26 | 161,666,279 | 68,696,541 | 230,362,820 |
| 2026-27 | 168,030,840 | 61,765,475 | 229,796,315 |
| 2027-28 | 173,864,035 | 54,865,503 | 228,729,539 |
| 2028-29 | 179,446,751 | 48,048,352 | 227,495,103 |
| 2029-30 | 177,195,095 | 40,706,622 | 217,901,717 |
| 2030-31 | 137,331,950 | 33,620,230 | 170,952,180 |
| 2031-32 | 142,045,000 | 28,603,881 | 170,648,881 |
| 2032-33 | 108,740,000 | 23,669,586 | 132,409,586 |
| 2033-34 | 89,255,000 | 19,894,645 | 109,149,645 |
| 2034-35 | 82,055,000 | 16,899,547 | 98,954,547 |
| 2035-36 | 66,535,000 | 14,189,408 | 80,724,408 |
| 2036-37 | 55,540,000 | 12,023,081 | 67,563,081 |
| 2037-38 | 46,270,000 | 10,245,118 | 56,515,118 |
| 2038-39 | 27,315,000 | 8,758,449 | 36,073,449 |
| 2039-40 | 26,445,000 | 7,960,057 | 34,405,057 |
| 2040-41 | 20,200,000 | 7,175,694 | 27,375,694 |
| 2041-42 | 20,880,000 | 6,498,211 | 27,378,211 |
| 2042-43 | 21,590,000 | 5,783,562 | 27,373,562 |
| 2043-44 | 22,330,000 | 5,043,949 | 27,373,949 |
| 2044-45 | 23,090,000 | 4,278,285 | 27,368,285 |
| 2045-46 | 18,515,000 | 3,485,880 | 22,000,880 |
| 2046-47 | 5,005,000 | 2,880,246 | 7,885,246 |
| 2047-48 | 5,170,000 | 2,710,945 | 7,880,945 |
| 2048-49 | 5,345,000 | 2,535,881 | 7,880,881 |
| 2049-50 | 5,530,000 | 2,354,712 | 7,884,712 |
| 2050-51 | 5,725,000 | 2,159,925 | 7,884,925 |
| 2051-52 | 5,935,000 | 1,950,338 | 7,885,338 |
| 2052-53 | 6,155,000 | 1,732,790 | 7,887,790 |
| 2053-54 | 6,380,000 | 1,506,973 | 7,886,973 |
| 2054-55 | 6,610,000 | 1,272,671 | 7,882,671 |
| 2055-56 | 6,855,000 | 1,029,667 | 7,884,667 |
| 2056-57 | 7,110,000 | 777,438 | 7,887,438 |
| 2057-58 | 7,370,000 | 515,551 | 7,885,551 |
| 2058-59 | 3,895,000 | 243,790 | 4,138,790 |
| 2059-60 | 4,010,000 | 123,668 | 4,133,668 |
| TOTAL³ | \$2,526,691,283 | \$857,153,832 | \$3,383,845,115 |

¹ This table includes the City's General Obligation Bonds shown in Table A-33 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

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

In November 1992, voters approved Proposition A ("1992 Proposition A") which authorized the issuance of up to \$350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued \$89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the "1992A/2016A Propositions") to broaden the scope of the remaining \$260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In 2019 and 2020, the City issued \$175.0 million of bonds across two series under the 1992A/2016A Propositions. Currently \$85.7 million remains authorized and unissued.

In November 2014, voters approved Proposition A ("2014 Transportation Proposition"), which authorized the issuance of up to \$500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued \$377.2 million over three series of bonds in 2015, 2018, and 2020, leaving approximately \$122.8 million authorized and unissued.

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement Proposition"), authorizing the issuance of up to \$425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. On June 2, 2020, the City closed the first series of bonds in the par amount of \$49.7 million, leaving \$375.3 million authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to \$600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. On March 30, 2021, the City closed the first series of bonds in the par amount of \$254.6 million, leaving \$345.4 million authorized and unissued.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to \$628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. On March 30, 2021, the City closed the first two series of bonds with a total par amount of \$80.7 million, leaving \$547.8 million authorized and unissued.

In November 2020, voters approved Proposition A (“2020 Health and Recovery Bond”), which authorized the issuance of up to \$487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. As of April 1, 2021, bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (“2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. In November of 2011, the Board of Supervisors adopted and the Mayor approved, Resolution No. 448-11 (“2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. In March of 2020, the Board of Supervisors adopted and the Mayor approved, Resolution No. 097-20 (“2020 Resolution,” and together with the 2004 Resolution and 2011 Resolution, the “Refunding Resolutions”). The 2020 Resolution authorized the issuance \$1.483 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The refunding bonds currently outstanding, under the Refunding Resolutions, are shown in Table A-29 below.

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of July 1, 2021

| Series Name | Date Issued | Principal Amount Issued | Amount Outstanding |
|----------------------|--------------------|--------------------------------|-----------------------------|
| 2011-R1 | November 2011 | \$339,475,000 | \$94,125,000 ^{1 4} |
| 2015-R1 | February 2015 | 293,910,000 | 208,800,000 ² |
| 2020-R1 | May 2020 | 195,250,000 | 181,945,000 ³ |
| 2021-R1 | May 2021 | 91,230,000 | 91,230,000 |
| 2021-R2 ⁴ | September 2021 | 86,905,000 | - |

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

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

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

⁴ Series 2011-R1 Bonds are anticipated to be refunded by the 2021-R2 Bonds in September 2021. The City issued the Series 2021-R2 Bonds as a forward delivery, pricing on April 27, 2021 and expected to close September 16, 2021.

Table A-30 on the following page lists for each of the City’s voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of July 1, 2021, the City had authorized and unissued general obligation bond authority of approximately \$1.96 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds
 As of July 1, 2021¹

| Bond Authorization Name | Election Date | Authorized Amount | Series | Bonds Issued | Bonds Outstanding | Authorized & Unissued |
|--|---------------|------------------------|---------|------------------------|--------------------------|------------------------|
| Seismic Safety Loan Program | 11/3/92 | \$350,000,000 | 1994A | \$35,000,000 | - | |
| | | | 2007A | \$30,315,450 | \$15,571,283 | |
| | | | 2015A | \$24,000,000 | - | |
| Reauthorization to Repurpose for Affordable Housing | 11/8/16 | | 2019A | \$72,420,000 | \$70,605,000 | \$85,684,550 |
| | | | 2020C | \$102,580,000 | \$96,895,000 | |
| | | | | | | |
| Clean & Safe Neighborhood Parks | 2/5/08 | \$185,000,000 | 2008B | \$42,520,000 | - | |
| | | | 2010B | \$24,785,000 | - | |
| | | | 2010D | \$35,645,000 | \$30,090,000 | |
| | | | 2012B | \$73,355,000 | - | |
| | | | 2016A | \$8,695,000 | \$6,500,000 | |
| San Francisco General Hospital & Trauma Center Earthquake Safety | 11/4/08 | \$887,400,000 | 2009A | \$131,650,000 | - | |
| | | | 2010A | \$120,890,000 | - | |
| | | | 2010C | \$173,805,000 | \$146,725,000 | |
| | | | 2012D | \$251,100,000 | \$130,435,000 | |
| | | | 2014A | \$209,955,000 | \$137,480,000 | |
| Earthquake Safety and Emergency Response Bond | 6/8/10 | \$412,300,000 | 2010E | \$79,520,000 | - | |
| | | | 2012A | \$183,330,000 | - | |
| | | | 2012E | \$38,265,000 | \$25,050,000 | |
| | | | 2013B | \$31,020,000 | - | |
| | | | 2014C | \$54,950,000 | \$36,160,000 | |
| | | | 2016C | \$25,215,000 | \$19,415,000 | |
| | | | | | | |
| Road Repaving & Street Safety | 11/8/11 | \$248,000,000 | 2012C | \$74,295,000 | - | |
| | | | 2013C | \$129,560,000 | - | |
| | | | 2016E | \$44,145,000 | \$33,990,000 | |
| | | | | | | |
| Clean & Safe Neighborhood Parks | 11/6/12 | \$195,000,000 | 2013A | \$71,970,000 | - | |
| | | | 2016B | \$43,220,000 | \$21,100,000 | |
| | | | 2018A | \$76,710,000 | \$41,345,000 | |
| | | | 2019B | \$3,100,000 | - | |
| Earthquake Safety and Emergency Response Bond | 6/3/14 | \$400,000,000 | 2014D | \$100,670,000 | \$66,230,000 | |
| | | | 2016D | \$109,595,000 | \$65,500,000 | |
| | | | 2018C | \$189,735,000 | \$127,615,000 | |
| Transportation and Road Improvement | 11/4/14 | \$500,000,000 | 2015B | \$67,005,000 | \$38,005,000 | |
| | | | 2018B | \$174,445,000 | \$94,030,000 | |
| | | | 2020B | \$135,765,000 | \$113,265,000 | |
| Affordable Housing Bond | 11/3/15 | \$310,000,000 | 2016F | \$75,130,000 | \$43,730,000 | |
| | | | 2018D | \$142,145,000 | \$94,120,000 | |
| | | | 2019C | \$92,725,000 | \$24,120,000 | |
| Public Health and Safety Bond | 6/7/16 | \$350,000,000 | 2017A | \$173,120,000 | \$107,185,000 | |
| | | | 2018E | \$49,955,000 | \$33,900,000 | |
| | | | 2020D-1 | \$111,925,000 | \$81,925,000 | |
| | | | 2020D-2 | \$15,000,000 | - | |
| Embarcadero Seawall Earthquake Safety | 11/6/18 | \$425,000,000 | 2020A | \$49,675,000 | - | \$375,325,000 |
| Affordable Housing Bond | 11/5/19 | \$600,000,000 | 2021A | \$254,585,000 | \$180,390,000 | \$345,415,000 |
| Earthquake Safety and Emergency Response Bond | 3/3/20 | \$628,500,000 | 2021B-1 | \$69,215,000 | \$69,215,000 | |
| | | | 2021B-2 | \$11,500,000 | - | |
| Health and Recovery Bond | 11/4/20 | \$487,500,000 | | | | \$487,500,000 |
| SUBTOTAL | | \$5,978,700,000 | | \$4,014,205,450 | \$1,950,591,283 | \$1,964,494,550 |
| General Obligation Refunding Bonds | | | | Bonds Issued | Bonds Outstanding | |
| Series 2011-R1 | 11/9/12 | | | \$339,475,000 | \$94,125,000 | |
| Series 2015-R1 | 2/25/15 | | | \$293,910,000 | \$208,800,000 | |
| Series 2020-R1 | 5/7/20 | | | \$195,250,000 | \$181,945,000 | |
| Series 2021-R1 | 5/6/21 | | | \$91,230,000 | \$91,230,000 | |
| SUBTOTAL | | | | \$919,865,000 | \$576,100,000 | |
| TOTALS | | \$5,978,700,000 | | \$4,934,070,450 | \$2,526,691,283 | \$1,964,494,550 |

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

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

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

General Fund Lease Obligations

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

Table A-31 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of July 1, 2021.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of July 1, 2021¹

| Fiscal Year ² | Principal | Interest ³ | Annual Payment Obligation |
|-----------------------------|------------------------|-----------------------|------------------------------|
| 2021-22 ⁴ | \$57,450,000 | \$66,415,755 | \$123,865,755 |
| 2022-23 | 64,495,000 | 62,883,794 | 127,378,794 |
| 2023-24 | 67,610,000 | 59,842,818 | 127,452,818 |
| 2024-25 | 69,050,000 | 56,626,537 | 125,676,537 |
| 2025-26 | 70,595,000 | 53,385,116 | 123,980,116 |
| 2026-27 | 73,950,000 | 49,994,327 | 123,944,327 |
| 2027-28 | 69,060,000 | 46,627,707 | 115,687,707 |
| 2028-29 | 74,220,000 | 43,291,810 | 117,511,810 |
| 2029-30 | 74,995,000 | 39,990,713 | 114,985,713 |
| 2030-31 | 70,485,000 | 36,975,914 | 107,460,914 |
| 2031-32 | 63,590,000 | 34,282,816 | 97,872,816 |
| 2032-33 | 64,685,000 | 31,871,841 | 96,556,841 |
| 2033-34 | 67,135,000 | 29,260,160 | 96,395,160 |
| 2034-35 | 60,275,000 | 26,761,447 | 87,036,447 |
| 2035-36 | 60,515,000 | 24,174,243 | 84,689,243 |
| 2036-37 | 60,190,000 | 21,538,229 | 81,728,229 |
| 2037-38 | 62,625,000 | 18,910,664 | 81,535,664 |
| 2038-39 | 65,160,000 | 16,175,156 | 81,335,156 |
| 2039-40 | 67,805,000 | 13,324,472 | 81,129,472 |
| 2040-41 | 70,555,000 | 10,357,468 | 80,912,468 |
| 2041-42 | 56,000,000 | 7,430,811 | 63,430,811 |
| 2042-43 | 20,990,000 | 5,247,200 | 26,237,200 |
| 2043-44 | 19,855,000 | 4,388,600 | 24,243,600 |
| 2044-45 | 20,650,000 | 3,594,400 | 24,244,400 |
| 2045-46 | 13,695,000 | 2,768,400 | 16,463,400 |
| 2046-47 | 14,245,000 | 2,220,600 | 16,465,600 |
| 2047-48 | 13,220,000 | 1,650,800 | 14,870,800 |
| 2048-49 | 13,750,000 | 1,122,000 | 14,872,000 |
| 2049-50 | 14,300,000 | 572,000 | 14,872,000 |
| TOTAL⁵ | \$1,521,150,000 | \$771,685,799 | \$2,292,835,799 |

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

SFGH Emergency Backup Generators Project (\$9,197,552)

Gsmart Citywide Emergency Radio Replacement Project (\$19,500,828)

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

³ Totals reflect rounding to nearest dollar.

⁴ Excludes payments made to date in current fiscal year.

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

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

Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease- purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of July 1, 2021, the total authorized and unissued amount for such financings was \$86.4 million.

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

In 2000, voters approved Proposition C ("2000 Proposition C"), which extended a two- and one-half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds, which are currently outstanding in the principal amount of \$29.1 million to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

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

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

TABLE A-32*

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of July 1, 2021

| Issue Name | Final Maturity | Original Par | Outstanding Principal |
|---|-------------------|------------------------|--------------------------|
| CERTIFICATES OF PARTICIPATION | | | |
| Series 2009C (525 Golden Gate Avenue) | 2022 | \$38,120,000 | \$8,535,000 |
| Series 2009D - Taxable BABs (525 Golden Gate Avenue) | 2041 | 129,550,000 | 129,550,000 |
| Refunding Series 2011A (Moscone Center South) | 2024 | 23,105,000 | 9,420,000 |
| Series 2012A (Multiple Capital Improvement Projects) | 2036 | 42,835,000 | 31,055,000 |
| Series 2013B - Non-AMT (Port Facilities Project) | 2038 | 4,830,000 | 4,830,000 |
| Series 2013C - AMT (Port Facilities Project) | 2043 | 32,870,000 | 22,685,000 |
| Refunding Series 2014-R2 (Juevenile Hall Project) | 2034 | 33,605,000 | 24,560,000 |
| Series 2015A (War Memorial Veterans Building) | 2045 | 112,100,000 | 112,100,000 |
| Series 2015B - Taxable (War Memorial Veterans Building) | 2024 | 22,225,000 | 5,185,000 |
| Refunding Series 2015-R1 (City Office Buildings - Multiple Properties) | 2040 | 123,600,000 | 108,765,000 |
| Series 2016A (War Memorial Veterans Building) | 2032 | 16,125,000 | 11,630,000 |
| Series 2017A - Taxable (Hope SF) | 2047 | 28,320,000 | 25,850,000 |
| Series 2017B (Moscone Convention Center Expansion Project) | 2042 | 412,355,000 | 381,445,000 |
| Series 2019A (49 South Van Ness Project) | 2050 | 247,810,000 | 245,700,000 |
| Refunding Series 2019-R1 (Multiple Capital Improvement Projects) | 2035 | 116,460,000 | 99,985,000 |
| Refunding Series 2020-R1 (Multiple Capital Improvement Projects) | 2033 | 70,640,000 | 70,640,000 |
| Series 2020 (Animal Care & Control Project) | 2041 | 47,075,000 | 47,075,000 |
| Series 2021A (Multiple Capital Improvement Projects) | 2041 | 76,020,000 | 76,020,000 |
| Subtotal Certificates of Participation | | \$1,577,645,000 | \$1,415,030,000 |
| LEASE PURCHASE FINANCING | | | |
| 2010 Lease Purchase Financing (SFGH Emergency Backup Generators) | 2025 | \$22,549,489 | \$9,197,552 |
| 2016 Lease Purchase Financing (Public Safety Radio Replacement Project) | 2026 | 34,184,136 | 19,500,828 |
| Subtotal Lease Revenue Bonds | | \$56,733,625 | \$28,698,380 |
| FINANCE CORPORATION LEASE REVENUE BONDS | | | |
| Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable | 2030 | \$72,670,000 | \$32,700,000 |
| Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable | 2030 | 72,670,000 | 32,700,000 |
| Refunding Series 2010-R1 (Emergency Communications System) | 2024 | 22,280,000 | 4,750,000 |
| Refunding Series 2018A (Open Space Fund - Various Park Projects) | 2029 | 34,950,000 | 26,080,000 |
| Refunding Series 2018B (Branch Library Improvement Program) | 2028 | 13,355,000 | 9,890,000 |
| Subtotal Lease Revenue Bonds | | \$215,925,000 | \$106,120,000 |
| Total General Fund Obligations | | \$1,850,303,625 | \$1,549,848,380 |

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

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates, but commercial paper is anticipated to be issued to finance the projects in fiscal year 2021-22.

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in fiscal year 2021-22.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$62.0 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City issued \$3.81 million of the certificates in May 2021 and expects to issue the remainder in fiscal year 2021-22.

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

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

Critical Repairs: In June 2021, legislation authorizing the issuance of not to exceed \$67.5 million of City and County of San Francisco Certificates of Participation was introduced at the Board of Supervisors, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local economic stimulus projects. Such legislation was heard and given a positive recommendation by the Budget & Appropriations Committee of the Board of Supervisors, and final approval of the legislation by the Board and Mayor is expected in July 2021.

Commercial Paper Program

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

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by credit facilities from: (i) State Street Bank and Trust Company (with a maximum principal amount of \$75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of \$75 million). These credit facilities were extended with the same banks in May 2021 until May 2023. The Series 3 and 3-T and 4 and 4-T are secured by a \$100 million letter of credit issued by State Street Bank and Trust Company expiring in February 2022.

As of July 1, 2021, the outstanding principal amount of CP Notes is \$26.72 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.08%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program includes the Housing Trust Fund. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment (“SFGH FF&E”). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

| Project | CP Notes Liability as of 7/1/2021 |
|--------------------|--|
| Housing Trust Fund | \$18,760,000 |
| SFGH FF&E | \$7,955,000 |
| TOTAL | \$26,715,000 |

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of July 1, 2021 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City’s outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-33

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of July 1, 2021

| | |
|--|-------------------------------------|
| <u>2020-21 Assessed Valuation</u> (includes unitary utility valuation): | \$302,011,940,399 ¹ |
| | |
| <u>GENERAL OBLIGATION BONDED DEBT</u> | |
| San Francisco City and County | \$2,526,691,284 |
| San Francisco Unified School District | 969,800,000 |
| San Francisco Community College District | 474,030,000 |
| TOTAL GENERAL OBLIGATION BONDED DEBT | \$3,970,521,284 |
| | |
| <u>LEASE OBLIGATIONS BONDS</u> | |
| San Francisco City and County | \$1,540,650,829 |
| TOTAL LEASE OBLIGATION BONDED DEBT | \$1,540,650,829 ² |
| | |
| TOTAL COMBINED DIRECT DEBT | \$5,511,172,113 |
| | |
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT</u> | |
| Bay Area Rapid Transit District General Obligation Bond (34.606%) ² | \$652,971,389 ³ |
| San Francisco Community Facilities District No. 4 | 10,600,000 |
| San Francisco Community Facilities District No. 6 | 119,807,107 |
| San Francisco Community Facilities District No. 7 | 32,280,000 |
| San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2 | 2,587,770 |
| San Francisco Community Facilities District No. 2014-1 Transbay Transit Center | 472,840,000 |
| San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Area No. 1 | 17,135,000 |
| San Francisco Special Tax District No. 2020-1 Mission Rock Facilities | 43,300,000 |
| City of San Francisco Assessment District No. 95-1 | 360,000 |
| ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements | 9,195,000 |
| ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill | 4,970,000 |
| ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza | 2,840,000 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | \$1,368,886,266 |
| | |
| <u>OVERLAPPING TAX INCREMENT DEBT:</u> | |
| Successor Agency to the San Francisco Redevelopment Agency | \$738,895,372 |
| Transbay Joint Powers Authority | 264,585,000 |
| TOTAL OVERLAPPING INCREMENT DEBT | \$1,003,480,372 |
| | |
| TOTAL DIRECT AND OVERLAPPING BONDED DEBT | \$7,883,538,751 ⁴ |
| | |
| <u>Ratios to 2020-21 Assessed Valuation (\$302,011,940,399)</u> | <u>Actual Ratio</u> |
| Direct General Obligation Bonded Debt (\$3,970,521,284) | 1.31% ⁵ |
| Combined Direct Debt (\$5,511,172,113) | 1.82% |
| Total Direct and Overlapping Bonded Debt | 2.61% |
| | |
| <u>Ratio to 2020-21 Redevelopment Incremental Valuation (\$37,591,667,028)</u> | |
| Total Overlapping Tax Increment Debt | 2.67% |

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

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

³ Reflects 2020-21 ratio.

⁴ Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds, as well as issue to be sold

⁵ The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY20-21 AV is 0.80%.

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIII A of the California Constitution

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

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

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

Article XIII B of the California Constitution

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

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

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

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

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement

purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

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

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with

cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see “San Francisco Redevelopment Agency Dissolution” above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

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

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

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

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

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

Ongoing Investigations

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

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

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

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

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

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

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

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

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

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

On March 4, 2021, the City Attorney announced an approximately \$100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to former Public Works Director Mohammed Nuru ("Nuru") and others. As part of the Settlement, Recology will be required to lower commercial and residential rates starting April 1, 2021, and make a \$7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology is subject to approval by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing. On July 8, 2021 the San Francisco District Attorney announced the arrest of former Department of Public Works bureau manager Gerald "Jerry" Sanguinetti. Mr. Sanguinetti was charged with five felony counts of perjury and two misdemeanor charges arising from his failure to report income and file financial disclosure statements associated with the sale to DPW of merchandise by a company owned by his wife. The charges arise out of the continuing investigation into public corruption involving DPW. The DPW investigation is ongoing.

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

Risk Retention Program

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

compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

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

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

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

[\$Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
[(FEDERALLY TAXABLE – GREEN BONDS)]

BOND PURCHASE AGREEMENT

[Sale Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned, Stifel Nicolaus & Company, Inc. (the “Representative”), on behalf of itself and Piper Sandler & Company (collectively, the “Underwriters”), hereby offers to enter into this agreement (this “Purchase Agreement”) with the City and County of San Francisco (the “City”) in connection with the sale by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) of the Bonds (defined below). This offer is made subject to the acceptance by the City and execution and delivery of this Purchase Agreement on or before 11:59 p.m., California time, on the date hereof and, if not so accepted by the City, will be subject to withdrawal by the Underwriters upon written notice (by e-mail or otherwise) from the Underwriters delivered to the City at any time prior to the acceptance of this Purchase Agreement by the City. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the Bonds (defined below) is otherwise terminated pursuant to Section 10 hereof, then the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(a) hereof, and the City shall be free to sell the Bonds to any other party. Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the respective meanings set forth in the Official Statement (defined below) or in the Fiscal Agent Agreement (defined below).

The Underwriters represent and warrant that this Purchase Agreement, assuming due and legal execution and delivery thereof by, and validity against, the City, when executed by the Underwriters, will be a legal, valid and binding obligation of the Underwriters enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights generally.

The City acknowledges and agrees that (a) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length, commercial transaction between

the City and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor, fiscal consultant or fiduciary of the City and the District; (b) the Underwriters have not assumed any advisory or fiduciary responsibility to the City or the District with respect to the Purchase Agreement, the offering of the Bonds and the discussions, undertakings and procedures leading thereto (irrespective of whether any Underwriter, or any affiliate of an Underwriter, has provided other services or is currently providing other services to the City or the District on other matters); (c) the Underwriters have financial and other interests that differ from those of the City or the District; and (d) the City and the District have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent they have deemed appropriate.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Agreement, the Underwriters hereby agree to purchase from the City, and the City agrees to sell and deliver on behalf of the District to the Underwriters, all (but not less than all) of the District's \$[Par Amount] aggregate principal amount of Special Tax Bonds, Series 2021B (Federally Taxable – Green Bonds) (the “Bonds”).

The purchase price for the Bonds shall be \$[Purchase Price] (calculated as the aggregate principal amount of the Bonds in the amount of \$[Par Amount].00, less underwriters' discount in the amount of \$[UWs Discount]).

The Bonds will be dated their date of delivery and will mature, subject to prior redemption, on September 1 in each year, in the amounts as set forth in Schedule I attached hereto. The Bonds will bear interest at the interest rates set forth in Schedule I. Interest shall be payable on each March 1 and September 1, commencing March 1, 2022 until maturity or earlier redemption.

Interest on the Bonds will be exempt from State of California (the “State”) personal income taxes, all as further described in the Official Statement, dated the date hereof, and relating to the Bonds, as further defined below.

Section 2. Preliminary Official Statement and Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated [POS Date] (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the “Preliminary Official Statement”), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity date, delivery date, ratings and other terms of the Bonds permitted to be excluded from the Preliminary Official Statement by Rule 15c2-12 (the “Excluded Information”). The City shall provide the Underwriters, within seven

business days from the date hereof (but in any event at least three business days prior to the Closing Date (as defined herein) whichever occurs first), copies of the Official Statement, dated the date hereof in the form of the Preliminary Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any supplements to such Official Statement as have been approved by the City and the Underwriters (which approval shall not be unreasonably withheld), in sufficient quantities and/or in a designated electronic format (as defined in Municipal Securities Rulemaking Board Rule G-32) to enable the Underwriters to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board (the "MSRB"). The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB, or its designees in accordance with MSRB Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. Authorization of the Bonds. The Bonds will be issued by the City on behalf of the District pursuant to the provisions of a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 and the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the "Fiscal Agent Agreement"), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the "Act") and Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, by Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020 and by Resolution No. [Reso No.] adopted by the Board of Supervisors on [Reso Passage Date] and signed by the Mayor on [Reso Mayor Approval Date] (collectively, the "Resolution").

Section 4. The Bonds. The proceeds of the Bonds are expected to be used to fund or reimburse a portion of the planning, design, engineering and construction of various capital improvements. In addition, the Bonds are being issued to (i) fund a contribution to a debt service reserve fund securing the Bonds and certain outstanding Parity Bonds; (ii) capitalize a portion of the interest on the Bonds; and (iii) fund costs of issuance.

Section 5. City Representations, Covenants and Agreements. The City represents and covenants and agrees with the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate (as hereinafter defined) (the Fiscal Agent Agreement, this Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents”) and to observe and perform the covenants and agreements in the City Documents; by all necessary official action of the City, the City has duly adopted the City Resolution prior to or concurrently with the acceptance hereof; the City Resolution and the resolutions and ordinance listed on Exhibit F (together with the City Resolution, the “Resolutions and Ordinance”) are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has recorded the notice of special tax lien (the “Notice of Special Tax Lien”) on the real property records of the City which established a continuing lien on the land within the District securing the payment of the Special Tax; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the City Documents; the City has duly authorized and approved the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement; and the City is in compliance in all material respects with the obligations in connection with the execution and delivery of the Bonds on its part contained in the Fiscal Agent Agreement.

(b) The District is a community facilities district duly organized and validly existing under the laws of the State.

(c) As of the date thereof and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry-only system, information under the caption “UNDERWRITING,” and the Excluded Information) 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.

(d) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption “UNDERWRITING” and the CUSIP numbers) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Agreement, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters shall have notified the City to the contrary on or prior to such date.

(e) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case

may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry-only system and information provided by the Underwriters for inclusion therein, including without limitation the information under the caption "UNDERWRITING" and the CUSIP numbers, prices and yields on the Bonds) will 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.

(f) If between the date of delivery of the Official Statement and the date that is 25 days after the end of the underwriting period (i) any event shall occur or any fact or condition shall become known to the City that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters thereof; and (ii) if in the reasonable opinion of the City or the Underwriters such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, which approval shall not be unreasonably withheld.

(g) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or court decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject which violation, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions of the City Documents will not materially conflict with or constitute a material breach of or material default under any applicable constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is subject, or by which it or any of its properties is bound which conflict, breach or default would have a material adverse effect on the City's financial condition or its ability to collect and pledge the Special Tax.

(h) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City Attorney after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City Attorney, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their

respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the levy or collection of Special Tax Revenues pledged under the Fiscal Agent Agreement, the issuance of any of the Bonds or the City Documents, or the payment of the principal of and interest on the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds, the City Documents, the District, the Resolutions or Ordinance, the tax-exempt status of the interest on the Bonds, as applicable, or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the City Documents or the execution and delivery by the City of the City Documents, the delivery of the Preliminary Official Statement or the execution and delivery of the Official Statement; (iv) which would likely result in any material adverse change relating to the financial condition of the City; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(i) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Underwriters as may be reasonably requested (i) 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 Underwriters, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(j) The City Documents when executed or adopted by the City, will be legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, other laws affecting creditors' rights generally, and to limitations on remedies against cities and counties under California law.

(k) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(l) The City will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information

and notices of the occurrence of certain events, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

(m) Except as described in the Official Statement, the City has complied with all previous continuing disclosure undertakings required pursuant to Rule 15c2-12 for the past five years.

(n) Between the date hereof and the Closing Date, the City will not supplement or amend the City Documents, the Resolutions and the Ordinance or the Official Statement in any respect that is material to the obligations of the City under this Purchase Agreement without the prior written consent of the Underwriters, which consent shall not be unreasonably withheld.

(o) The Bonds will be paid from Special Tax Revenues (as defined in the Fiscal Agent Agreement) received by the City and moneys held in certain funds and accounts established under the Fiscal Agent Agreement.

(p) The Special Taxes have been duly and lawfully authorized and may lawfully be levied in accordance with the Amended and Restated Rate and Method of Apportionment of the Special Tax relating to the District (the "Rate and Method") and the Resolutions and Ordinance, and, when levied, will constitute a valid and legally binding continuing lien on the property on which they are levied.

Section 6. Underwriters' Representations, Covenants and Agreements. The representations, covenants and agreements of the Underwriters attached hereto as Exhibit A are incorporated by reference as though fully set forth herein. The Underwriters further represent and covenant and agree with the City that:

(a) The Underwriters have been duly authorized to enter into this Purchase Agreement and to act hereunder.

(b) The Underwriters are not in material violation of, or in material breach of or in material default under, any applicable law, regulation, order or agreement to which such Underwriters are a party or by which such Underwriters are bound, which violation or breach would have a material adverse effect on such Underwriters' ability to execute, deliver and perform this Purchase Agreement.

Section 7. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds on behalf of the District to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire \$[Par Amount] aggregate principal amount of the Bonds shall be executed, issued and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Underwriters will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree, subject to the terms and conditions hereof, to make a *bona fide* public offering of all the Bonds initially at prices not in excess of the initial public offering prices as set forth in Schedule I hereto. The Underwriters reserve the right to change the public offering prices as they deem necessary in connection with the marketing of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price set forth in Schedule I hereto.

The Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. The Underwriters further agree that they will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 8. Closing. At 8:30 a.m., California time, on [Closing Date], or at such other time as shall have been mutually agreed upon by the City and the Underwriters (the “Closing Date” or the “Closing”), the City will deliver or cause to be delivered to the account of the Underwriters, under the Fast Automated Securities Transfer System of DTC, the Bonds, in the form of a separate single fully registered bond for each series of Bonds, maturity date and interest rate of the Bonds duly executed by the City and authenticated by the Fiscal Agent, together with the opinions and documents set forth in Section 9 hereof. The Underwriters will, subject to the terms and conditions hereof, accept delivery of the Bonds and pay the purchase price of the Bonds as set forth in Section 2 hereof by wire transfer in immediately available funds on the Closing Date. The Bonds shall be made available to the Fiscal Agent not later than one business day before the Closing Date. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of Cede & Co., as the nominee of DTC.

Payment for the delivery of the Bonds shall be coordinated at the offices of Jones Hall, APLC, in San Francisco, California, or at such other place as shall have been mutually agreed upon by the City and the Underwriters. The Underwriters shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Underwriters to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Agreement.

Section 9. Closing Conditions. The obligation of the Underwriters under this Purchase Agreement is subject to the performance by the City of its obligations hereunder and are also subject to the following conditions:

- (a) the representations of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

(b) at the time of the Closing, the City Documents and Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters; and

(c) at or prior to the Closing, the Underwriters shall have received each of the following documents:

(i) the Official Statement, together with any supplements or amendments thereto if the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment, if any, signed on behalf of the City by its authorized officer;

(ii) the Fiscal Agent Agreement, signed on behalf of the City and the Fiscal Agent by their respective authorized officers;

(iii) a conformed map of the proposed boundaries of the District, recorded in the real property records of the City;

(iv) certified copies of the Resolutions and Ordinance;

(v) a conformed copy of Notice of Special Tax Lien, recorded in the real property records of the City;

(vi) a certificate of the City dated the Closing Date and executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(vii) an opinion of the City Attorney ("Issuer Counsel"), addressed solely to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit C;

(viii) unqualified opinions of Jones Hall, APLC and Amira Jackmon, Attorney at Law ("Co-Bond Counsel"), dated the Closing Date and in substantially the form set forth in Appendix D to the Official Statement;

(ix) a supplemental opinion of Co-Bond Counsel, addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit D;

(x) an opinion of Norton Rose Fulbright US LLP ("Disclosure Counsel"), addressed to the City and the Underwriters, dated the Closing Date and in substantially the form attached hereto as Exhibit E;

(xi) an opinion of Stradling Yocca Carlson & Rauth, Underwriters' Counsel ("Underwriters' Counsel"), addressed to the Underwriters, dated the Closing Date, in form and substance acceptable to the Underwriters;

(xii) evidence of required filings with the California Debt and Investment Advisory Commission;

(xiii) an opinion of counsel to the Fiscal Agent, addressed to the City and the Underwriters, dated the Closing Date and in form and substance acceptable to the City and the Underwriters;

(xiv) a certificate of the Fiscal Agent, dated the Closing Date, to the effect that: (A) it is a national banking association duly organized and existing under the laws of the United States of America; (B) it has full corporate trust powers and authority to serve as Fiscal Agent under the Fiscal Agent Agreement; (C) it acknowledges and accepts its obligations under the Fiscal Agent Agreement and it has duly authorized, executed and delivered the Fiscal Agent Agreement and that such acceptance and execution and delivery is in full compliance with, and does not conflict with, any applicable law or governmental regulation currently in effect, and does not conflict with or violate any contract to which it is a party or any administrative or judicial decision by which it is bound; and (D) it has duly authenticated the Bonds in accordance with the terms of the Fiscal Agent Agreement;

(xv) the certificate of the City required by Section 3.06 of the Fiscal Agent Agreement in connection with the issuance of Parity Bonds (as defined in the Fiscal Agent Agreement), in substantially the form and substance of Exhibit G;

(xvi) evidence satisfactory to the Underwriters that Fitch Ratings has assigned ratings of “[AA+]” to the Bonds;

(xvii) the Continuing Disclosure Certificate duly executed by the City;

(xviii) a certificate from Goodwin Consulting Group, Inc. (“Special Tax Consultant”) to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes (the “Special Tax Formula”), will annually yield sufficient revenue to make timely payments of debt service on the Bonds, provided that information and other data supplied by the City, the Municipal Advisor, the Underwriters or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) for each Fiscal Year after issuance of the Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels (as defined in the Special Tax Formula) as of the date of the certificate (i.e. [Closing Date]), may be levied for such Fiscal Year under the Ordinance and the Fiscal Agent Agreement for each respective Fiscal Year, is at least 110% of the total Annual Debt Service of the outstanding parity bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax

Prepayments that could occur after the issuance of the Bonds is not less than the principal amount of the bonds (to be specified by Bond Counsel in such certificate), (iii) the information supplied by the Special Tax Consultant for use in the Official Statement is true and correct as of the date of the Official Statement and as of the Closing Date, and (iv) the description of the Special Tax Formula contained in the Official Statement is correctly presented in all material respects;

(xix) for each property that has annexed into the District since its formation, (A) a Unanimous Approval executed by the owner of the property, (B) an amendment to the Notice of Special Tax Lien recorded in the real property records of the City, and (C) a resolution of the Board of Supervisors confirming the annexation;

(xx) for each Taxable Parcel as of the Closing Date, an executed Tax Commencement Authorization; and

(xxi) such additional legal opinions, Bonds, instruments or other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Agreement and as of the Closing Date, of the City's representations contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 11 of this Purchase Agreement shall continue in full force and effect.

Section 10. Termination. The Underwriters shall have the right to cancel its obligation to purchase the Bonds by written notification from the Underwriters to the City if at any time after the date of this Purchase Agreement and prior to the Closing:

(a) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Co-Bond Counsel and Disclosure Counsel, either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event, the City refuses to permit the Official Statement to be supplemented to supply such

statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds; or

(b) Legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Fiscal Agent Agreement under the Trust Indenture Act of 1939, as amended; or

(c) any of the following occurs and is continuing as of the Closing Date which, in the reasonable judgment of the Underwriters (set forth in a written notice from the Underwriters to the City terminating the obligation of the Underwriters to accept delivery of and make payment for the Bonds), has a material adverse effect on the marketability or market price of the Bonds, at the initial offering prices set forth in the Schedule I attached hereto, or the Underwriters' ability to process and settle transactions:

(i) reserved; or

(ii) an amendment to the Constitution of the State of California shall have been passed or legislation shall have been enacted by the California legislature, or a decision shall have been rendered by a court of the State of California, in each case which may have the purpose or effect of subjecting interest on the Bonds to State income tax; or

(iii) (A) The declaration of war by the United States of America, any major new outbreak or escalation of armed hostilities, an act of terrorism or any other major national calamity or crisis, (B) the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations; or

(iv) the declaration of a general banking moratorium by any federal, New York or State of California authorities; or

(v) a general suspension of trading or other material restrictions on the New York Stock Exchange or other national securities exchange not in effect as of the date hereof; or

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would

be in violation of the federal securities laws as amended and then in effect;
or

(vii) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriters; or

(viii) the ratings on the Bonds or bonds on parity with the Bonds, is reduced or withdrawn or placed on credit watch with negative outlook by any one or more of the rating agencies rating the Bonds or bonds on parity with the Bonds;

(ix) litigation of the type identified in Section 6(h) hereof; or

(x) a material disruption in municipal bond market securities settlement, payment or clearance services affecting the Bonds.

Section 11. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 11(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Agreement and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Issuer's Counsel, Bond Counsel, and Disclosure Counsel; (ii) the fees and disbursements of Backstrom McCarley Berry & Co., LLC, San Francisco, California and Public Financial Management Inc., San Francisco, California (the "Co-Financial Advisors"); (iii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iv) the costs of preparing and printing the Bonds; (v) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) hereof); and (vi) any fees charged by investment rating agencies for the rating of the Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters; (iii) all out of pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel.

Section 12. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to the Representative: [Representative Notice Address].

Section 13. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Agreement. All of the representations and agreements of the City contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of: (a) any investigations made by or on behalf of the Underwriters; (b) delivery of and payment for the Bonds, pursuant to this Purchase Agreement; and (c) any termination of this Purchase Agreement.

Section 14. Invalid or Unenforceable Provisions. If any provision of this Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Agreement.

Section 15. Counterparts. This Purchase Agreement may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

Section 16. Governing Law; Venue. This Purchase Agreement shall be governed by and interpreted under the laws of the State of California. Venue for all litigation and other disputes relative arising from or related to this Purchase Agreement shall be in the City.

Section 17. City Contracting Requirements. The provisions for the City Contracting Requirements attached hereto as Exhibit A are hereby incorporated herein by reference as though fully set forth herein.

Section 18. Entire Agreement. This Purchase Agreement is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Agreement may only be amended by a writing executed by the authorized representatives of the parties.

Section 19. Headings. The section headings in this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

Section 20. Effectiveness. This Purchase Agreement shall become effective upon execution of the acceptance of this Purchase Agreement by the City and shall be valid and enforceable as of the time of such acceptance.

[Remainder of page intentionally left blank.]

Very truly yours,

STIFEL NICOLAUS & COMPANY, INC., as
Representative

By _____
[Name]
[Title]

CITY AND COUNTY OF SAN FRANCISCO

By _____
Anna Van Degna
Director, Controller's Office of Public Finance

APPROVED AS TO FORM:

Dennis J. Herrera
City Attorney

By _____
Mark D. Blake, Deputy City Attorney

[Signature Page to City and County of San Francisco Community Facilities District No. 2014-1
(Transbay Transit Center) Bond Purchase Agreement]

SCHEDULE I

Maturity Schedule

**[\$Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
[(FEDERALLY TAXABLE – GREEN BONDS)]**

Price: 100%

Serial Bonds \$_____

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> |
|--|---|--|---------------------|
| | \$ | % | % |

\$_____ % Term Bonds due September 1, 20__ – Yield: __%

Redemption Provisions

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to redemption prior to their stated maturities, on any date on and after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

Bonds Maturing September 1, 20

| <u>Sinking Fund Redemption Date (September 1)</u> | <u>Principal Amount Subject to Redemption</u> |
|---|---|
|---|---|

*

* Maturity.

Provided, however, if some but not all of the Term Bonds have been redeemed pursuant to optional redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2029 | 103% |
| On September 1, 2029 and March 1, 2030 | 102 |
| On September 1, 2030 and March 1, 2031 | 101 |
| On September 1, 2031 and any Interest Payment Date thereafter | 100 |

EXHIBIT A

UNDERWRITERS' REPRESENTATIONS, COVENANTS AND AGREEMENTS AND CITY CONTRACTING REQUIREMENTS

Section 1. Underwriters' Representations, Covenants and Agreements.

Each Underwriter, on its own behalf and not on behalf of any other Underwriter, represents and covenants and agrees with the City that:

(a) It shall comply with the San Francisco Business Tax Resolution and shall, if not otherwise exempt from such resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(b) It shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

(c) It represents and warrants to the City that the Underwriter has been duly authorized to enter into this Purchase Agreement and to act hereunder by and on behalf of it.

Section 2. City Contracting Requirement. Additionally, each Underwriter represents and covenants and agrees, as applicable that:

(a) ***Underwriter Shall Not Discriminate.*** In the performance of this Purchase Agreement, the Underwriter 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, weight, height, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or associated with members of such protected classes, or in retaliation for opposition to discrimination against such classes against any employee of, any City and/or City employee working with, or applicant for employment with such Underwriter in any of such Underwriter'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 such Underwriter.

(b) ***Subcontracts.*** The Underwriter shall incorporate by reference in all subcontracts made in fulfillment of its obligations hereunder the provisions of Section 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. The Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Agreement.

(c) **Non-Discrimination in Benefits.** The Underwriter does not as of the date of this Purchase Agreement and will not during the term of this Purchase Agreement, in any of its operations in San Francisco, California, or on real property owned by San Francisco, California, or where the work is being performed for the City and/or City elsewhere within 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 Section 12B.2(b) of the San Francisco Administrative Code.

(d) **HRC Form.** The Underwriter 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 Exhibit A by reference and made a part of this Purchase Agreement as though fully set forth herein. The Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Agreement under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Underwriter 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 Purchase Agreement may be assessed against such Underwriter and/or deducted from any payments due such Underwriter; provided, however that such damages shall not be set off against the payment of rental or other contract related to the Bonds, certificates of participation or other debt obligation of the City or the City.

(f) **Drug-Free Workplace Policy.** The Underwriter 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 or District premises. The Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Agreement.

(g) **Compliance With Americans with Disabilities Act.** Without limiting any other provisions of this Purchase Agreement the Underwriter shall provide the services specified in this Purchase Agreement in a manner that complies with the Americans with Disabilities Act (“ADA”) Title 24, and any and all other applicable federal, state and local disability rights legislation. The Underwriter agrees not to discriminate against disabled persons in the provision of services,

benefits or activities provided under this Purchase Agreement and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns shall constitute a material breach of this Purchase Agreement.

(h) ***Sunshine Ordinance.*** In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the 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.

(i) ***Prohibition on Political Activity With City Funds.*** In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support or attempt to influence any political campaign for a candidate or for a ballot measure in the performance of the services provided under this Purchase Agreement. The Underwriter 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. If the Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City and/or City contract for a period of two years.

(j) ***MacBride Principles—Northern Ireland.*** The City and the District urge companies doing business in Northern Ireland to move towards resolving employment inequities, and encourage such companies to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and the District urge San Francisco companies to do business with corporations that abide by the MacBride Principles.

(k) ***Tropical Hardwood and Virgin Redwood Ban.*** The City and the District urge companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product or any virgin redwood or virgin redwood product.

(l) ***Repeal of Administrative Code Provisions.*** To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in this Exhibit A, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Purchase Agreement or the Underwriter.

(m) ***Limitations on Contributions.*** Through execution of this Purchase Agreement, the Underwriter 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 (i) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves; (ii) a candidate for the office held by such individual; or (iii) 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. The Underwriter 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. The Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20% in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, the Underwriter acknowledges that such Underwriter must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

(n) ***Requiring Minimum Compensation for Covered Employees.***

The Underwriter 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 Purchase 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 the Underwriter's obligations under the MCO is set forth in this Exhibit A. The Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Exhibit A. Capitalized terms used in this Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, the Underwriter agrees to all of the following:

(i) The MCO requires the Underwriter to pay such Underwriter'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 such Underwriter is obligated to keep informed of the then current requirements. Any subcontract entered into by an Underwriter 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 Exhibit A. It is the Underwriter's obligation to ensure that any subcontractors of any tier under

this Purchase Agreement comply with the requirements of the MCO. If any subcontractor under this Purchase Agreement fails to comply, the City may pursue any of the remedies set forth in this Exhibit A against such Underwriter. Nothing in this Exhibit A shall be deemed to grant any Underwriter the right to subcontract.

(ii) No Underwriter shall 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.

(iii) The Underwriter shall maintain employee and payroll records as required by the MCO. If such Underwriter fails to do so, it shall be presumed that such Underwriter paid no more than the minimum wage required under State law.

(iv) The City is authorized to inspect the Underwriter's job sites and conduct interviews with employees and conduct audits of such Underwriter.

(v) The Underwriter's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Purchase 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 such Underwriter fails to comply with these requirements. The Underwriter 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 such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Underwriter 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 Purchase Agreement for violating the MCO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter 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.

(vii) The Underwriter 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.

(viii) If an Underwriter is exempt from the MCO when this Purchase Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and this department to exceed \$25,000 in the fiscal year.

(o) **Requiring Health Benefits for Covered Employees.** The Underwriter 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 Purchase 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 Exhibit A and not defined in this Purchase Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If such Underwriter chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3 (e) of the HCAO, it shall have no obligation to comply with part (i) above.

(iii) An Underwriter’s failure to comply with the HCAO shall constitute a material breach of this Purchase Agreement. The City shall notify such Underwriter if such a breach has occurred. If, within 30 days after receiving City’s written notice of a breach of this Purchase Agreement for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City or the 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 the City or the City.

(iv) Any subcontract entered into by an Underwriter 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 Exhibit A. Such Underwriter 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. The Underwriter 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 Exhibit A against the applicable Underwriter based on the subcontractor's failure to comply, provided that the City or the City has first provided such Underwriter with notice and an opportunity to obtain a cure of the violation.

(v) No Underwriter shall discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City or the City with regard to such Underwriter'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.

(vi) The Underwriter 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.

(vii) The Underwriter 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 applicable contract.

(viii) The Underwriter shall keep itself informed of the current requirements of the HCAO.

(ix) The Underwriter 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.

(x) The Underwriter shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Underwriter shall allow the City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Underwriter to ascertain its compliance with HCAO. The Underwriter agrees to cooperate with the City when it conducts such audits.

(xiii) If an Underwriter is exempt from the HCAO when this Purchase Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with the City or the 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 such Underwriter and the District or the City to be equal to or greater than \$75,000 in the fiscal year.

(p) **Prohibition on Political Activity With City or City Funds.** In accordance with San Francisco Administrative Code Chapter 12.G, no Underwriter may 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 Purchase Agreement. The Underwriter 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. If the Underwriter violates the provisions of this Exhibit A, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Agreement, and (ii) prohibit such Underwriter from bidding on or receiving any new City contract for a period of two years. The Controller will not consider an Underwriter's use of profit as a violation of this Exhibit A.

(q) **Protection of Private Information.** The Underwriter 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. The Underwriter agrees that any failure of such Underwriter to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Purchase Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Purchase Agreement, bring a false claim action against such Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar such Underwriter.

(r) **Conflicts of Interest.** Through its execution of this Purchase Agreement, the Underwriter acknowledges that it is familiar with the provisions of Section 15.103 of the City Charter, Article III, Chapter 2 of the City's Campaign and Governmental Conduct Code, and Sections 87100 et seq. and Sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute 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 Purchase Agreement.

As to Exhibit A of this Purchase Agreement:

[REPRESENTATIVE], as Underwriter

By _____
[AUTHORIZED SIGNATORY]

[UNDERWRITERS]

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco (the "City"), acting in their official capacities, hereby certify as follows in connection with the issuance of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "District's") \$[Par Amount] aggregate principal amount of Special Tax Bonds, Series 2021B [(Federally Taxable – Green Bonds)] (the "Bonds"):

1. The persons named below are now, and at all times from and after _____, 20__, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

2. The representations of the City contained in the Bond Purchase Agreement, dated [Sale Date] (the "Purchase Agreement"), between [Representative], as representative of the underwriter of the Bonds, and the City, are true, complete and correct as of the date hereof as if made on the date hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: [Closing Date].

Name

Office

Signature

EXHIBIT C

FORM OF OPINION OF ISSUER COUNSEL

[LETTERHEAD OF CITY ATTORNEY]

[Closing Date]

City and County of San Francisco
San Francisco, California

[REPRESENTATIVE]

Re: \$[Par Amount] San Francisco Community Facilities District No. 2014-1
 (Transbay Transit Center) Special Tax Bonds, Series 2021B [(Federally
 Taxable – Green Bonds)]

Ladies and Gentlemen:

In connection with the issuance of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District’s”) \$[Par Amount] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B [(Federally Taxable – Green Bonds)] (the “Bonds”), I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, public records and other instruments and have conducted such other investigations of fact and law as I deemed necessary for the purpose of this opinion.

I am of the opinion that:

1. The City and County of San Francisco (the “City”) is a charter city, with full legal right, power and authority to enter into and perform its obligations under: (a) the Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 and by the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the “Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”); (b) the Bond Purchase Agreement, dated [Pricing Date] (the “Purchase Agreement”), by and between [Representative], as the representative of the underwriters of the Bonds, and the City; and (c) the Continuing Disclosure Certificate, dated November 1, 2021 (the “Continuing Disclosure Certificate”) of the City. The Fiscal Agent Agreement, the Purchase Agreement and the Continuing Disclosure Certificate are collectively referred to herein as the “City Documents.”

2. The Resolutions and Ordinance were each duly adopted at a meeting of the Board of Supervisors of the City. The meeting during which each of the Resolutions and Ordinance were adopted was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout.

3. The City Documents have been duly authorized, executed and delivered by the City and assuming that such documents are valid and binding upon each of the other respective parties thereto, if any, each is valid and binding upon and enforceable against the City in accordance with its respective terms, except that enforceability may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights in general, by the application of equitable principles if equitable remedies are sought and by the limitations on legal remedies against public agencies in the State of California.

4. The execution and delivery of the City Documents and compliance with the provisions thereof do not and will not conflict with or constitute on the part of the City a breach or default under any existing law, regulation, court order or consent decree to which the City is subject or, to the best of my knowledge after due inquiry, any agreement or instrument to which the City is a party or by which the City is bound.

5. All actions on the part of the City necessary for the making and performance of the City Documents have been duly and effectively taken and no consent, authorization or approval of or filing or registration with, any governmental or regulatory officer or body not already obtained or not obtainable in due course by the City is required for the making and performance of the City Documents.

6. Except as disclosed in the Official Statement, dated [Pricing Date] with respect to the Bonds (the "Official Statement"), no litigation, action, suit or proceeding is known to be pending (with service of process having been accomplished) or threatened (a) restraining or enjoining the execution or delivery of the Bonds or the City Documents, or the collection of the Special Tax Revenues pledged under the Fiscal Agent Agreement; or (b) in any way contesting or affecting the validity of the Resolutions or the Ordinance, the Bonds, the City Documents or any proceedings of the City taken with respect to the foregoing; or (c) which if determined adversely to the City would have a material adverse effect on its operations or finances.

Very truly yours,

By _____

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF BOND COUNSEL]

[Closing Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Zions Bancorporation, National
Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071

[REPRESENTATIVE]

SUPPLEMENTAL OPINION:

 \$[Par Amount] San Francisco Community Facilities District No. 2014-1
 (Transbay Transit Center) Special Tax Bonds, Series 2021B [(Federally
 Taxable – Green Bonds)]

Ladies and Gentlemen:

 We have acted as bond counsel to the City and County of San Francisco (the "City") in connection with the issuance by the City, for and on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the "Community Facilities District"), of the captioned bonds, dated the date hereof (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. This letter is being delivered in our capacity as co-bond counsel to the City and not as counsel to any other addressee hereof.

 The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the "Act"), Resolution No. 2-15, which was approved by the Board of Supervisors on on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, by Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020 and by Resolution No. [Reso No.] adopted by the Board of

Supervisors on [Reso Passage Date] and signed by the Mayor on [Reso Mayor Approval Date] (collectively, the “Resolution”) and a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 and the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the “Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”). Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Capitalized terms not defined here have the meanings given them in the Bond Purchase Agreement, dated [Pricing Date] (the “Purchase Agreement”), by and among [Representative] and [Underwriters], together as underwriter (the “Underwriter”) and the City. This letter is being delivered in our capacity as bond counsel to the City and not as counsel to any other addressees hereof.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The statements contained in the Final Official Statement on the cover page and under the captions “INTRODUCTION,” “THE 2021 BONDS,” “SECURITY FOR THE BONDS” (excluding the subcaption “Rate and Method of Apportionment of Special Taxes”), “TAX MATTERS,” and in Appendices C and D thereto, insofar as such statements expressly summarize certain provisions of the Bonds, the Resolutions, the Fiscal Agent Agreement, and Co-Bond Counsel's opinion concerning certain federal tax matters relating to the Bonds, present a fair and accurate summary thereof.

2. The City has duly and validly executed and delivered the Purchase Agreement, and the Purchase Agreement constitutes the legal, valid and binding obligation of the City, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought.

3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

This opinion letter is solely for your benefit in connection with the transaction covered by the first paragraph of this letter and may not be relied upon, used, circulated, quoted or referred to, nor any copies hereof be delivered to, any other person without our prior written approval.

Respectfully submitted,

EXHIBIT E

FORM OF OPINION OF DISCLOSURE COUNSEL

[LETTERHEAD OF DISCLOSURE COUNSEL]

Re: \$[Par Amount] San Francisco Community Facilities District No. 2014-1
 (Transbay Transit Center) Special Tax Bonds, Series 2021B [(Federally
 Taxable – Green Bonds)]

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of San Francisco (the “City”) in connection with the \$[Par Amount] San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable – Green Bonds) (the “Bonds”). The Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) pursuant to the provisions of a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 and the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the “Fiscal Agent Agreement”), each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California) (the “Act”), and Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, by Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020 and by Resolution No. [Reso No.] adopted by the Board of Supervisors on [Reso Passage Date] and signed by the Mayor on [Reso Mayor Approval Date] (collectively, the “Resolution”). The terms and provisions of the Bonds are contained in the Fiscal Agent Agreement and are further described in the Official Statement relating to the Bonds, dated [Sale Date] (the “Official Statement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds were sold by the City pursuant to that Bond Purchase Agreement, dated [Pricing Date] (the “Bond Purchase Agreement”), by and among [Representative], as representative (the “Representative”) of itself and on behalf of [Underwriters] (collectively, the “Underwriters”).

In rendering this opinion, we have reviewed the Fiscal Agent Agreement, the Resolution, such other records, documents, certificates and opinions, and have made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the federal securities law of the United States of America, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel to the City, we have rendered certain legal advice and assistance in connection with the preparation of the Preliminary Official Statement relating to the Bonds, dated [POS Date] (the "Preliminary Official Statement"), and the Official Statement. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in meetings and telephone conferences with, among others, representatives of the City, the City Attorney, Co-Bond Counsel, the Underwriters, Underwriters' Counsel and the City's Municipal Advisor, at which meetings and conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Preliminary Official Statement and the Official Statement that causes them to believe that (a) the Preliminary Official Statement as of its date or as of the date of the Bond Purchase Agreement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view, and except for such information as is permitted to be excluded from the Preliminary Official Statement pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, including but not limited to information as to pricing, yield, interest rate, maturity, amortization, redemption provisions, underwriters' compensation and the CUSIP numbers), or (b) the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information in Appendices B and F thereof, as to all of which we express no view). In rendering such advice we conducted no independent diligence on the Electronic Municipal Market Access website and express no view regarding the City's or the Authority's compliance with any obligation to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12.

During the period from the date of the Preliminary Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Preliminary Official Statement and the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement.

We are furnishing this opinion to you, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the City. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the remarketing relating to the Series Bonds, and we have no obligation to update this opinion.

Respectfully submitted

EXHIBIT F

RESOLUTIONS AND ORDINANCE

1. Resolution No. 141-13, entitled “Resolution adopting amended and restated Local Goals and Policies to provide financial flexibility in connection with the formation of Special Tax Districts, pursuant to Administrative Code, Chapter 43, Article X”, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on November 26, 2013.
2. City Resolution No. 247-14, entitled “Resolution of Intention to Establish City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith”, adopted by the Board of Supervisors on July 15, 2014.
3. City Resolution No. 246-14 entitled “Resolution of intention to incur bonded indebtedness in an amount not to exceed \$1,400,000,000 for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center); and other matters related thereto”, adopted by the Board of Supervisors on July 15, 2014.
4. City Resolution No. 350-14, entitled “Resolution of formation of City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith,” adopted by the Board of Supervisors on September 23, 2014.
5. City Resolution No. 351-14, entitled “Resolution determining necessity to incur bonded indebtedness for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith”, adopted by the Board of Supervisors on September 23, 2014.
6. City Resolution No. 352-14 entitled “Resolution calling special election in City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)”, adopted by the Board of Supervisors on September 23, 2014.
7. City Resolution No. 1-15 entitled “Resolution declaring results of Special Election that was approved by the qualified electors, and directing recording of notice of special tax lien for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith”, adopted by the Board of Supervisors on January 13, 2015.
8. Ordinance No. 1-15 entitled “Ordinance authorizing the levy and collection of special taxes within City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)”, introduced on December 16, 2014 and adopted by the Board of Supervisors on January 13, 2015.

9. Resolution No. 2-15 entitled "Resolution repealing Resolution No. 468-14, and authorizing the issuance and sale of not to exceed \$1,400,000,000 Special Tax Bonds for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) and determining other matters in connection therewith," adopted by the Board of Supervisors on January 13, 2015.
10. Resolution No. 830-93, entitled "Resolution of the Board of Supervisors Adopting the Alternate Method of Property Tax Allocation," adopted by the Board of Supervisors on October 12, 1993.
11. Resolution No. 245-17, entitled "Resolution extending the Teeter Plan to special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) adopted by the Board on June 13, 2017 and approved by the Mayor on June 22, 2017.
12. Resolution No. 246-17, entitled "Resolution determining that property located at Assessor's Parcel Block No. 3740, Lot No. 029, and Block No. 3740, Lot Nos. 030-032, is annexed to the City and County of San Francisco Community Facilities District No. 2014.-1 (Transbay Transit Center); and directing the Clerk of the Board of Supervisors to Record Notice of the Annexation," adopted by the Board of Supervisors on June 13, 2017.
13. Resolution No. 165-16, entitled "Resolution determining that certain property in the future annexation area, namely 4 Assessor's Parcel Block No. 3721, Lot No. 019, Block No. 3721, Lot No. 020, and Block 5 No. 3721, Lot No. 029, is annexed to the City and County of San Francisco Community 6 Facilities District No. 2014-1 (Transbay Transit Center)," adopted by the Board of Supervisors on May 3, 2016.

EXHIBIT G

PARITY DEBT CERTIFICATE

PARITY DEBT CERTIFICATE

The undersigned hereby states and certifies:

(i) that I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a charter city duly organized and existing under the Constitution of the State of California (the “City”) and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) that I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the “Master Fiscal Agent Agreement”), as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, by the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020, and by the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021, each by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) that the City, for and on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “CFD”), previously issued the (i) City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) (the “2017A Bonds”), (ii) City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds), (iii) City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable) (the “2019A Bonds”), (iv) City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable – Green Bonds), (v) City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable – Green Bonds) (collectively, the “outstanding Parity Bonds”) under the Master Fiscal Agent Agreement;

(iv) that, on the date hereof, the City is issuing, for and on behalf of the CFD, the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B [(Federally Taxable - Green Bonds)] (the “2021 Bonds”) under the Master Fiscal Agent Agreement, as previously supplemented, and as further supplemented by a Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021, by and between the City and the Fiscal Agent (the “Third Supplement”), and as additional Parity Bonds and Related Parity Bonds (as defined in the Master Fiscal Agent Agreement); and

(v) that the conditions precedent to the issuance of the 2021 Bonds as Parity Bonds set forth in subsections (A) (B), (C), (D) and (E) of Section 3.06 have been satisfied, as follows:

(A) Compliance. The City is in compliance with all covenants set forth in the Master Fiscal Agent Agreement, as supplemented, including by the Third Supplement (the "Fiscal Agent Agreement"), and issuance of the 2021 Bonds will not cause the City to exceed the CFD's limitation on debt (as defined in the Act).

(B) Same Payment Dates. The Third Supplement provides that interest on the 2021 Bonds will be payable on Interest Payment Dates, and principal of the 2021 Bonds will be payable on September 1 in any year in which principal is payable on the 2021 Bonds.

(C) Separate Funds; Reserve Fund or Reserve Account. The Third Supplement provides for a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein will equal the Reserve Requirement following issuance of the 2021 Bonds.

(D) Value. The CFD Value (\$_____), which is the fiscal year 2020-21 assessed value of Taxable Property in the CFD) shall be at least three (3) times the sum of: (i) \$_____, which is the aggregate principal amount of the Outstanding 2017 Bonds (\$_____), plus (ii) the aggregate principal amount of the 2019 Bonds (\$_____), plus (iii) the aggregate principal amount of the 2020B Bonds (\$_____), plus (iv) the aggregate principal amount of the 2021B Bonds (\$[Par Amount]), plus (v) the aggregate principal amount of any fixed assessment liens on the parcels in the CFD subject to the levy of Special Taxes (\$0 as of the date hereof), plus (vi) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the CFD (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the CFD, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year (\$0 as of the date hereof).

(E) Coverage. For each Fiscal Year after issuance of the 2021B Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels as of the date hereof, may be levied for such Fiscal Year under the Ordinance and the Fiscal Agent Agreement for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the Outstanding 2017 Bonds, 2019 Bonds and 2020B Bonds and the 2021B Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the 2021B Bonds shall be not less than the principal amount of the Outstanding 2017 Bonds, 2019 Bonds and 2020B Bonds and the 2021B Bonds.

Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Dated: [Closing Date]

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of the City and County of San
Francisco Community Facilities District No.
2014-1 (Transbay Transit Center)

By: _____
Director of the Office of Public Finance

NEW ISSUE - BOOK-ENTRY ONLY

RATING:

Fitch: “[RATING]”

See “RATING” herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Co-Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is exempt from California personal income taxes. Interest on the Bonds is not intended to be exempt from federal income taxation. Co-Bond Counsel express no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

\$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1 [insert CBI logo]
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
(FEDERALLY TAXABLE – GREEN BONDS)

Dated: Date of Delivery

Due: September 1, as shown on inside cover

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

The City and County of San Francisco, California (the “City”) on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) will be issuing its Special Tax Bonds, Series 2021B (Federally Taxable – Green Bonds) (the “2021B Bonds”). The 2021B Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented, including by the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), and will be secured as described herein. The 2021B Bonds are being issued to: (i) finance, refinance or reimburse a portion of the cost of the planning, design, engineering and construction of various capital improvements, (ii) fund a contribution to a debt service reserve fund securing the 2021B Bonds and certain other bonds described in this Official Statement, and (iii) fund costs of issuance, all as further described herein. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2021B Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof and shall mature on September 1 in each of the years and in the amounts and shall bear interest as shown on the inside front cover hereof. Interest on the 2021B Bonds shall be payable on each March 1 and September 1, commencing March 1, 2022 (each an “Interest Payment Date”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date. The 2021B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2021B Bonds. Individual purchases of the 2021B Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B Bonds will be payable by DTC through the DTC participants. See “THE BONDS – Book-Entry System” herein. Purchasers of the 2021B Bonds will not receive physical delivery of the 2021B Bonds purchased by them.

The 2021B Bonds are subject to redemption prior to maturity as described herein. See “THE 2021B BONDS” herein.

The 2021B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021B Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The 2021B Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2021B Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2021B Bonds.

The 2021B Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel to the City with respect to the issuance of the 2021B Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel [____], [____], California. It is anticipated that the 2021B Bonds will be available for delivery through the facilities of DTC on or about November __, 2021.

Stifel

Piper Sandler & Co.

Dated: November __, 2021

* Preliminary, subject to change.
102442410.5

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or a 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.

MATURITY SCHEDULE*

**[\$[PAR AMOUNT]]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
(FEDERALLY TAXABLE – GREEN BONDS)**

Price: ____%

Serial Bonds \$ _____

| <u>Maturity Date</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> | CUSIP[†] <u>(Base No. _____)</u> |
|--|---|--|---------------------|--|
| | \$ | % | % | |

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____% CUSIP No. _____

\$ _____ % Term Bonds due September 1, 20__ – Yield: _____% CUSIP No. _____

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of investors. None of the City, the Underwriters, or the Municipal Advisor are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2021B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2021B Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2021B Bonds.

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS⁽¹⁾

Shamann Walton, *Board President, District 10*

Connie Chan, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Gordon Mar, *District 4*

Dean Preston, *District 5*

Matt Haney, *District 6*

Myrna Melgar, *District 7*

Rafael Mandelman, *District 8*

Hillary Ronen, *District 9*

Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Carmen Chu, *City Administrator*

Benjamin Rosenfield, *Controller*

Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Co- Bond Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Amira Jackmon, Attorney at Law
Berkeley, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Municipal Advisor

Del Rio Advisors LLC
Modesto, California

Fiscal Agent

Zions Bancorporation, National Association
Los Angeles, California

⁽¹⁾ The Board of Supervisors serves as the governing body for the District.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been obtained from the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the 2021B Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the City, the Municipal Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the 2021B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the 2021B Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the District or the City or in any other information contained herein, since the date hereof.

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

IN CONNECTION WITH THE OFFERING OF THE 2021B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2021B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (“EMMA”) website.

The City maintains a website with information pertaining to the City. However, the information presented therein is not incorporated into this Official Statement and should not be relied upon in making investment decisions with respect to the 2021B Bonds.

FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

[INSERT LOCATION MAP]

OFFICIAL STATEMENT

**§[PAR AMOUNT]
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2021B
(FEDERALLY TAXABLE – GREEN BONDS)**

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the City and County of San Francisco (the “City”) of its City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable – Green Bonds) (the “2021B Bonds”).

Authority for the 2021B Bonds

The 2021B Bonds will be issued by the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), provisions of a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020, and the Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (collectively, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”), and Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 adopted by the Board of Supervisors on June 13, 2017 and signed by the Mayor on June 22, 2017, Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020, and Resolution No. ____-21 adopted by the Board of Supervisors on ____, 2021 and signed by the Mayor on ____, 2021 (collectively, the “Resolution”).

Use of Proceeds

The 2021B Bonds are being issued to: (i) finance [a portion of the planning, design, and other pre-construction costs of various capital improvements], (ii) fund a contribution to a debt service reserve fund securing the 2021B Bonds and certain other bonds described in this Official Statement and (iii) fund costs of issuance, all as further described herein. See “ESTIMATED SOURCES AND USES OF FUNDS” and “THE FINANCING PLAN” herein.

The District

The District currently consists of approximately 13.5 gross acres located in downtown San Francisco immediately south of Market Street near the Salesforce Transit Center. See “THE DISTRICT” herein. The Salesforce Transit Center has been designed to be a hub of transit connections serving

regional commuters. At the time it established the District, the City also established a larger future annexation area (the “Future Annexation Area”) for the District. The Future Annexation Area enables properties to annex into the District with fewer procedural requirements than would otherwise be required under the Act.

Special Taxes

In general, Special Taxes (defined herein) can only be levied on a property within the District if: (i) the property is a “Conditioned Project,” which is generally defined in the Rate and Method as a Development Project (as defined herein) that is required to participate in funding Authorized Facilities (as defined in the Rate and Method) through the District because it received a zoning bonus to exceed the height and floor-to-area ratios that otherwise would have been applicable under the City’s Planning Code as defined in the Rate and Method; (ii) a Certificate of Occupancy (defined herein) has been issued for the property; and (iii) a Tax Commencement Authorization (defined herein) for the property has been executed by the Director, Controller’s Office of Public Finance. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto. See “THE DISTRICT” herein.

Development Status Summary

The District now includes nine Taxable Buildings (each a “Taxable Building” or “Taxable Building (Subject Property)”) which are Conditioned Projects that have received both a Certificate of Occupancy and a Tax Commencement Authorization and are therefore subject to the Special Tax. The aggregate estimated fiscal year 2022-23 Special Tax levy for the current Taxable Buildings is \$30,069,889. Certain information regarding the current Taxable Buildings is summarized below.

| Building (Marketing Name/Block Number (if applicable)/Initial Street Address) and Land Use Category | Square Feet | Estimated FY 2022-23 Special Tax Levy | Percent of Estimated FY 2022-23 Special Tax Levy |
|--|--------------------|--|---|
| <u>Salesforce East (350 Mission Street)</u> | | | |
| Office | 47,645 | \$ 263,151 | 0.9% |
| Retail | 4,355 | 17,544 | 0.1 |
| <u>Solaire (Block 6) (299 Fremont Street)</u> | | | |
| Rental Residential | 288,937 | 1,762,881 | 5.9 |
| Retail | 7,204 | 29,020 | 0.1 |
| <u>Salesforce Tower (415 Mission Street)</u> | | | |
| Office | 1,413,397 | 9,139,302 | 30.4 |
| Retail | 6,789 | 28,432 | 0.1 |
| <u>33 Tehama (41 Tehama Street)</u> | | | |
| Rental Residential | 236,375 | 1,503,544 | 5.0 |
| Retail | 788 | 3,300 | 0.0 |
| <u>181 Fremont (181 Fremont Street)</u> | | | |
| For Sale Residential | 121,328 | 1,175,997 | 3.9 |
| Retail/Office | 436,332 | 2,815,341 | 9.4 |
| <u>Park Tower (Block 5) (250 Howard Street)</u> | | | |
| Office | 755,914 | 4,760,426 | 15.8 |
| Retail | 8,745 | 37,341 | 0.1 |
| <u>The Avery (Block 8) (250 Fremont Street)</u> | | | |
| For Sale Residential | 210,102 | 2,076,388 | 6.9 |
| Rental Residential/Retail | 208,998 | 1,369,396 | 4.6 |
| <u>500 Folsom (Block 9) (500 Folsom Street)</u> | | | |
| Rental Residential | 316,671 | 2,133,079 | 7.1 |
| Retail | 5,678 | 24,720 | 0.1 |
| <u>Mira (Block 1) (160 Folsom Street)</u> | | | |
| For Sale Residential | 301,097 | 2,885,614 | 9.6 |
| Retail | 10,201 | 44,412 | 0.1 |

Source: San Francisco Assessor’s Office; San Francisco Planning Department; OCII; Special Tax Consultant.

See also Table 2 herein.

In addition to the Taxable Buildings (Subject Properties), there are currently three Conditioned Projects in the District and three Conditioned Projects in the Future Annexation Area, planned for residential, commercial or mixed use development that may become Taxable Buildings subject to the Special Tax following their completion. There may also be additional projects within the Future Annexation Area or the District that become Conditioned Projects. No assurance can be provided that any particular property will become a Conditioned Project, be annexed into the District, and become a Taxable Building (Subject Properties) required to pay Special Taxes. See “THE DISTRICT” herein and “SPECIAL RISK FACTORS – Concentration of Property Ownership” herein.

The 2021B Bonds

The 2021B Bonds will be issued in denominations of \$5,000 or any integral multiple in excess thereof, shall mature on September 1 in each of the years and in the amounts, and shall bear interest as shown on the inside front cover hereof. Interest on the 2021B Bonds will be payable on each March 1 and September 1, commencing March 1, 2022 (the “Interest Payment Dates”) to the Owner thereof as of the Record Date (as defined herein) immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2021B Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The 2021B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2021B Bonds. Individual purchases of the 2021B Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the 2021B Bonds will be payable by DTC through the DTC participants. See “THE 2021B BONDS – Book-Entry System” herein. Purchasers of the 2021B Bonds will not receive physical delivery of the 2021B Bonds purchased by them.

“Green Bond” Designation

The City is designating the 2021B Bonds as “Green Bonds” (also known as “Climate Bonds”). The purpose of designating the 2021B Bonds as Green Bonds is to allow investors to invest directly in bonds which finance environmentally beneficial projects (“Green Projects”). The particular capital improvements that the City has defined as “Green Projects” in connection with the 2021B Bonds are part of the development of the Salesforce Transit Center and its related facilities, including the Train Box, Salesforce Park and the Downtown Rail Extension (each as defined herein). [*The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2021B Bonds will not result in revision or withdrawal of the Climate Bonds Initiative (the “CBI”) certification described herein; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI’s criteria for certifying bonds will not result in a withdrawal or revision of the CBI’s certification.*] See “THE BONDS – 2021B Bonds Designated as Green Bonds” herein.

Outstanding Parity Bonds and Future Financings

The City is authorized to issue on behalf of the District bonded indebtedness in an aggregate amount not to exceed \$1.4 billion (although Bonds that constitute refunding bonds under the Act will not count against this \$1.4 billion limit). The City has previously issued \$480,285,000 under this authorization, as described below. On November 9, 2017, the City, on behalf of the District, issued the first series of Bonds issued under the Fiscal Agent Agreement designated as the Special Tax Bonds, Series 2017A (Federally Taxable) (the “2017A Bonds”) and Special Tax Bonds, Series 2017B (Federally

Taxable – Green Bonds) (the “2017B Bonds” and, together with the 2017A Bonds, the “2017 Bonds”). On February 26, 2019, the City, on behalf of the District, issued Special Tax Bonds, Series 2019A (Federally Taxable) (the “2019A Bonds”) and Special Tax Bonds, Series 2019B (Federally Taxable – Green Bonds) (the “2019B Bonds” and, together with the 2019A Bonds, the “2019 Bonds”) On May 14, 2020, the City, on behalf of the District, issued Special Tax Bonds, Series 2020B – Green Bonds) (the “2020B Bonds”). No bonds designated “Series 2020A” or “Series 2021A” have been issued on behalf of the District.

| Series | Issue Date | Original Par | Outstanding Par⁽¹⁾ | Final Maturity |
|--|-------------------|------------------------|--------------------------------------|-----------------------|
| Series 2017A (Federally Taxable) | 11/9/2017 | \$ 36,095,000 | \$ 35,430,000 | 9/1/2048 |
| Series 2017B (Federally Taxable – Green Bonds) | 11/9/2017 | 171,405,000 | 168,275,000 | 9/1/2048 |
| Series 2019A (Federally Taxable) | 2/26/2019 | 33,655,000 | 33,005,000 | 9/1/2049 |
| Series 2019B (Federally Taxable – Green Bonds) | 2/26/2019 | 157,310,000 | 154,310,000 | 9/1/2049 |
| Series 2020B (Federally Taxable – Green Bonds) | 5/14/2020 | 81,820,000 | 81,820,000 | 9/1/2050 |
| Subtotal Previously Issued | | \$ 480,285,000 | \$ 472,840,000 | |
| Series 2021B (Federally Taxable – Green Bonds) | | | * \$[PAR | * |
| Total | __/__/2021 | <u>\$[PAR AMOUNT]</u> | <u>AMOUNT]</u> | 9/1/2050 |
| | | \$ [_____] | * \$[_____] | * |
| Total Bond Authorization | | \$1,400,000,000 | | |
| Amounts Remaining Under Authorization | | \$ [_____] | * | |

⁽¹⁾ As of January 1, 2020.

* Preliminary, subject to change.

The outstanding 2017 Bonds, 2019 Bonds and 2020B Bonds (“outstanding Parity Bonds”), the 2021B Bonds and any bonds issued in the future on a parity basis with the outstanding Parity Bonds and the 2021B Bonds under the Fiscal Agent Agreement are referred to in this Official Statement collectively as the “Bonds.” The Bonds are secured by and payable from Special Tax Revenues under the Fiscal Agent Agreement on a parity basis. See “SECURITY FOR THE BONDS – Parity Bonds” herein.

Security for the Bonds

The Bonds are secured by the pledge of Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the special taxes levied by the Board of Supervisors within the District under the Act, the Ordinance, the Amended and Restated Rate and Method of Apportionment of Special Tax for the District (the “Rate and Method”) and the Fiscal Agent Agreement.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment. See “SECURITY FOR THE BONDS – General” herein.

See the section of this Official Statement captioned “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2021B Bonds.

Reserve Fund

The City, on behalf of the District, established a debt service reserve fund for the 2017 Bonds pursuant to the Fiscal Agent Agreement, designated the “Reserve Fund,” which was initially funded with proceeds of the 2017 Bonds at the Reserve Requirement (defined below). See “SECURITY FOR THE BONDS –Reserve Fund” herein. The 2019 Bonds and the 2020B Bonds were issued as Related Parity Bonds under the Fiscal Agent Agreement and a portion of the proceeds of the 2019 Bonds and the 2020B Bonds, respectively, were used to make deposits to the Reserve Fund. “Related Parity Bonds” are defined as any series of Bonds issued as Parity Bonds to the 2017 Bonds for which (i) the proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund will act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds. The 2021B Bonds will be issued as “Related Parity Bonds” under the Fiscal Agent Agreement, which means that the Reserve Fund will secure the 2021B Bonds in addition to the outstanding Parity Bonds. The Fiscal Agent Agreement authorizes the City to issue additional Parity Bonds that are Related Parity Bonds. See “SECURITY FOR THE BONDS –Reserve Fund” herein.

Foreclosure Covenant

The City, on behalf of the District, has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the City will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District, and will diligently pursue such proceedings to completion. See “SECURITY FOR THE BONDS – The Special Taxes” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

Teeter Plan

The District is currently on the City’s “Teeter Plan.” Under the Teeter Plan, the City maintains a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes. The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2021B Bonds. See “SECURITY FOR THE BONDS – Teeter Plan” herein.

Limited Obligations

The 2021B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021B Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with the Outstanding Parity Bonds, and the City may issue additional Parity Bonds in the future. The 2021B Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the 2021B Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the 2021B Bonds.

COVID-19 Pandemic

The financial and operating data contained in this Official Statement are the latest available, but include information with as of dates and for periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. Historical information or budgets and projections described in this Official Statement, including Appendix A attached hereto, which predate the COVID-19 pandemic or do not fully reflect its potential impact, should be considered in light of a possible or probable negative impact from the COVID-19 pandemic. Such information is not necessarily indicative of the current financial condition or future prospects of the District, the City, and the region. See, in particular, “SPECIAL RISK FACTORS – Public Health Emergencies” and APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” attached hereto.

Further Information

Brief descriptions of the 2021B Bonds, the security for the Bonds, special risk factors, the District, the City and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the 2021B Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2021B Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2021B Bonds, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” attached hereto.

SALESFORCE TRANSIT CENTER AND RELATED FACILITIES

Transbay Terminal History

The City’s former terminal (the “Former Terminal”) was built in 1939 at First and Mission Streets as the terminal for trains crossing the then newly-opened Bay Bridge. For the first time, San Francisco was directly linked by rail to the East Bay, Central Contra Costa County and even Sacramento. At the time, trucks and trains used the lower deck of the Bay Bridge, and automobiles operated in both directions on the upper deck. In its heyday at the end of World War II, the Former Terminal’s rail system served 26 million passengers annually. Regional commuter buses from the East Bay, Marin County and San Mateo County, local buses within the City and long-distance buses such as Greyhound also used the Former Terminal. As automobile usage increased after the war ended and gas rationing was eliminated, the Former Terminal’s use began to steadily decline. In 1958, the lower deck of the Bay Bridge was converted to automobile traffic only and the train tracks crossing the Bay Bridge were dismantled. In 1959, the inter-modal Former Terminal was converted into a bus-only facility. In 1989, the Former Terminal suffered structural damage in the Loma Prieta earthquake that required its replacement. In 1999, San Francisco voters approved a ballot measure to extend the northern terminus of Caltrain, the commuter rail line serving the San Francisco peninsula, from its current location at 4th & King Streets to a new or rebuilt transit station at the site of the Former Terminal. In 2001, the Transbay Joint Powers Authority (the “TJPA”), a joint exercise of powers authority, was created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (*ex officio*) to develop a new regional transit hub to replace the Former Terminal. In 2010, the Former Terminal was demolished to make way for the construction of the Salesforce Transit Center and its related facilities. A temporary terminal at Howard and Main Streets (the “Temporary Terminal”) served bus passengers during such construction.

Transbay Redevelopment Plan and Transit Center District Plan

After the Loma Prieta earthquake, the Embarcadero Freeway connecting the Bay Bridge to the City's northeastern waterfront Embarcadero was demolished, creating several blocks of land available for development. In 2003, the State donated to the City and the TJPA approximately 12 acres of developable land in the vicinity of the Former Terminal. The sale and development of these parcels helped to finance a portion of the Salesforce Transit Center and its related facilities.

In 2005, the City established the Transbay Redevelopment Area encompassing portions of the area surrounding the Salesforce Transit Center, generally bounded by Mission Street and Folsom Street between Spear Street and Second Street. Tax increment generated and forecast to be generated in this approximately 40 acre Redevelopment Area helped to finance portions of the Salesforce Transit Center and ancillary neighborhood improvements. The Redevelopment Plan specifically laid out development parameters for most of the formerly-State owned parcels that once held the Embarcadero Freeway.

In 2012, the City adopted the Transit Center District Plan (the "TCDP") to shape growth on the southern side of downtown San Francisco to respond to and support the construction of the Salesforce Transit Center. The TCDP provides policy recommendations to accommodate additional transit-oriented growth, sculpt the downtown skyline, improve streets and open spaces, and expand protection of historic resources. The TCDP encourages development around the Salesforce Transit Center and its related facilities by eliminating density caps and increasing certain height limits, primarily for privately-owned parcels and a small number of formerly-State owned parcels donated to the TJPA in the area.

The District was formed in 2014 to raise funds to finance certain public improvements, including the Salesforce Park, the Train Box and the Downtown Rail Extension, as well as other capital improvements relating to the development of the area around the Salesforce Transit Center. See "THE DISTRICT" herein.

Salesforce Transit Center

General. The Salesforce Transit Center is a six-story modern, regional transportation hub that represents the first phase of the Transbay Program. The facility includes retail space and an innovative rooftop park, an above-grade bus deck level and space for planned regional and high speed rail. A new off-site bus storage facility and bus ramp connects the Salesforce Transit Center with the San Francisco-Oakland Bay Bridge. The second phase of the Transbay Program is planned to extend the Caltrain rail tracks from their current San Francisco terminus at 4th & King Streets to the Salesforce Transit Center to accommodate both Caltrain and California High Speed Rail (the "Downtown Rail Extension").

Train Box. The core and shell of the two below-grade levels of the Salesforce Transit Center, collectively referred to as the "Train Box," were built to accommodate the planned Downtown Rail Extension. The bottom level will have three passenger platforms to accommodate six train tracks for Caltrain and California High Speed Rail. The lower concourse is one level below grade and will serve as the passenger connection between the Salesforce Transit Center building ground floor and the train platforms. Space will be provided in the concourse for retail, ticketing and bike storage.

Salesforce Park. The Salesforce Transit Center's roof is a 5.4 acre, 1,400-foot long public elevated park (the "Salesforce Park") that includes, an outdoor amphitheater, gardens, trails, open grass areas, and children's play space, as well as a restaurant and cafe. The Salesforce Park serves as a "green roof" or "living" roof for the Salesforce Transit Center. It provides shade to much of the ground-level sidewalk when the sun is strongest and provides biological habitat for flora and fauna and public open space for transit passengers, neighborhood residents, and employees. It also acts as insulation for interior

spaces, moderating heat build-up in warm weather and retaining heat during cooler weather. Unlike asphalt paving or dark colored roofing surfaces, planting on the green roof cools the surrounding environment and improves air quality by acting as a carbon sink. As a biological organism itself, the park helps to capture and filter the exhaust in the area and helps to improve the air quality of the neighborhood. In July 2019, a new privately-owned and operated gondola opened that provides access to Salesforce Park from the plaza in front of Salesforce Tower.

Status of the Salesforce Transit Center. The Salesforce Transit Center’s grand opening was August 12, 2018. In September 2018, the Salesforce Transit Center was temporarily closed as crews repaired two fissured beams, conducted a thorough facility-wide review, cooperated with an independent review and recommissioned the facility to reopen to the public in July 2019. The City has no indication that there is a regional settling or subsidence issue that contributed to the fissures.

Downtown Rail Extension

The Downtown Rail Extension will extend Caltrain commuter rail from its current terminus at Fourth and King streets into the Train Box within the Salesforce Transit Center. It will also deliver the California High-Speed Rail Authority’s planned high-speed rail service to the Salesforce Transit Center. The 1.3-mile rail extension (1.95 miles of total construction length) will be constructed principally below grade using cut-and-cover and mined tunneling methods underneath Townsend and Second Streets. The project includes an underground station at Fourth and Townsend streets, six structures for emergency exit, ventilation along the alignment, utility relocation, rail systems work, and the completion of the tracks, systems, and passenger facilities within the Train Box within the Salesforce Transit Center.

THE FINANCING PLAN

The proceeds of the 2021B Bonds are expected to be used to finance, refinance or reimburse a portion of the costs of the planning, design, engineering and construction of the Downtown Rail Extension. In addition, the 2021B Bonds are being issued to (i) fund a contribution to the Reserve Fund, and (ii) pay costs of issuance, all as further described herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are set forth below:

| | |
|--|----|
| <u>Sources of Funds</u> | |
| Principal Amount of 2021B Bonds | \$ |
| Total Sources | \$ |
| <u>Uses of Funds</u> | |
| Deposit to Allocated Bond Proceeds Account | \$ |
| Deposit to Reserve Fund ⁽¹⁾ | |
| Deposit to 2021B Costs of Issuance Fund ⁽³⁾ | |
| Total Uses | \$ |

⁽¹⁾ The deposit into the Reserve Fund will cause the balance in the Reserve Fund to equal the Reserve Requirement as of the date of issuance of the 2021B Bonds. The 2021B Bonds constitute Related Parity Bonds and will be secured by the Reserve Fund on a parity basis with the outstanding Parity Bonds.

⁽²⁾ Includes Underwriters’ discount, fees and expenses for Co-Bond Counsel, Disclosure Counsel, Municipal Advisor, the Special Tax Consultant, the Fiscal Agent and its counsel, costs of printing the Official Statement, rating agency fees, and other costs of issuance of the 2021B Bonds.

THE 2021B BONDS

Description of the 2021B Bonds

The 2021B Bonds will be issued as fully registered bonds, in denominations of \$5,000 or any integral multiple in excess thereof within a single maturity and will be dated and bear interest from the date of their delivery, at the rates set forth on the inside cover page hereof. The 2021B Bonds will be issued in fully registered form, without coupons. The 2021B Bonds will mature on September 1 in the principal amounts and years as shown on the inside cover page hereof.

The 2021B Bonds will bear interest at the rates set forth on the inside cover page hereof, payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. "Record Date" means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent.

Redemption *

Optional Redemption. The 2021B Bonds maturing on or after September 1, 20__ are subject to redemption prior to their stated maturities, on any date on and after September 1, 20__, in whole or in part, at a redemption price equal to the principal amount of the 2021B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following tables:

* Preliminary, subject to change.

2021B Bonds Maturing September 1, 20

| | |
|--|--|
| Sinking Fund Redemption Date (September 1) | Principal Amount <u>Subject to Redemption</u> \$ |
|--|--|

*

* Maturity.

2021B Bonds Maturing September 1, 20

| | |
|--|--|
| Sinking Fund Redemption Date (September 1) | Principal Amount <u>Subject to Redemption</u> |
|--|--|

*

* Maturity.

Provided, however, if some but not all of the Term Bonds have been redeemed pursuant to Optional Redemption or Redemption from Special Tax Prepayments, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a *pro rata* basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund shall be used to redeem 2021B Bonds on the next Interest Payment Date for which notice of redemption can timely be given, among series and maturities as provided in the Fiscal Agent Agreement, at a redemption price (expressed as a percentage of the principal amount of the 2021B Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|--|-------------------------|
| Any Interest Payment Date on or before March 1, 20[] | []% |
| On September 1, 20[] and March 1, 20[] | [] |
| On September 1, 20[] and March 1, 20[] | [] |
| On September 1, 20[] and any Interest Payment Date thereafter | [] |

Notice of Redemption. The Fiscal Agent shall cause notice to be sent at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for

redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds. Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under the Fiscal Agent Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

Partial Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds, unless otherwise directed by the City, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity. In connection with a redemption under “Redemption from Special Tax Prepayments” above, the City shall deliver to the Trustee a certificate of an Independent Financial Consultant to the effect that, for each Fiscal Year after the proposed redemption, the maximum amount of the Special Taxes that, based on Taxable Parcels following the related Special Tax Prepayment, may be levied for such Fiscal Year under the Ordinance, the Fiscal Agent Agreement and any Supplemental Agreement shall be at least 110% of the total Annual Debt Service of the remaining Outstanding Bonds following such Special Tax Prepayment and redemption for the Bond Year that commences in such Fiscal Year.

Purchase of Bonds in Lieu of Redemption. In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer’s Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer’s Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such Bonds were to be redeemed in accordance with the Fiscal Agent Agreement. Any Bonds purchased shall be treated as Outstanding Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

The Fiscal Agent

Zions Bancorporation, National Association has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” attached hereto.

Book-Entry System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

2021B Bonds Designated as Green Bonds

General. The City is designating the 2021B Bonds as “Green Bonds” (also known as “Climate Bonds”). The purpose of designating the 2021B Bonds as Green Bonds is to allow investors to invest directly in bonds that finance environmentally beneficial projects (“Green Projects”). The particular capital improvements that the City has defined as “Green Projects” in connection with the 2021B Bonds are part of the development of the Downtown Rail Extension, a facility that is expected to achieve [_____].

Because the 2021B Bonds have been designated as Green Bonds, proceeds of the 2021B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs of the Downtown Rail Extension. [If any moneys in the Allocated Bond Proceeds Account are not spent on Project costs of the Downtown Rail Extension, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative in accordance with the Fiscal Agent Agreement.]

The terms “Green Project,” “Green Bonds” and “Climate Bonds” are neither defined in, nor related to, provisions in the Resolution or the Fiscal Agent Agreement. Owners of the 2021B Bonds do not have any security other than as provided in the Fiscal Agent Agreement.

[Climate Bonds Initiative and Certification. The CBI is an international, investor-focused non-profit organization working to focus the global bond market on climate change solutions through the development and promotion of an efficient Green Bond market. The CBI has established and manages the Climate Bonds Standard (the “Climate Bonds Standard”) under which the 2021B Bonds have been certified, in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard. The certification of the 2021B Bonds reflects only the views of the CBI and no assurance can be provided that CBI standards with respect to the Green Projects identified herein will not change. The explanation of the significance of this certification may be obtained from the CBI. The City has provided certain information and materials to the CBI, including information concerning the Salesforce Transit Center, Train Box and Downtown Train Extension. The City expects to spend the proceeds of the Green Bonds specifically to finance portions of the Downtown Rail Extension.

As part of the certification process in 2017, one of the underwriters for the 2017 Bonds, 2019 Bonds, the 2020B Bonds [and the 2021B Bonds], retained Sustainalytics U.S., Inc., a subsidiary of Sustainalytics Holding, B.V, Netherlands (collectively, “Sustainalytics”), to provide a programmatic certification that the City’s Green Projects are consistent with the Low Carbon Land Transport Criteria of

the Climate Bonds Standard. As part of their process, Sustainalytics provided a pre-issuance verification letter regarding the use of the 2017B Bonds, the first bond series issued for this programmatic certification. Since then, Sustainalytics has provided a post-issuance review and post-issuance verification letter for the 2017 Bonds, the 2019 Bonds and the 2020B Bonds issued consistent with this program. [While] CBI's certification on a programmatic basis does not require a pre-issuance verification for the 2021B Bonds to be included in the programmatic certification[.], the City expects Sustainalytics will provide a similar verification letter for the 2021B Bonds after they are issued and delivered.]

The certification of the 2021B Bonds as Green Bonds by the CBI is based solely on the Climate Bond Standard and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the 2021B Bonds or any project, including but not limited to this Official Statement, the transaction documents, the City or the management of the City.

The certification of the 2021B Bonds as Green Bonds by the CBI was addressed solely to the City and is not a recommendation to any person to purchase, hold or sell the 2021B Bonds and such certification does not address the market price or suitability of the 2021B Bonds for a particular investor. The certification also does not address the merits of the decision by the City or any third party to participate in any project and does not express and should not be deemed to be an expression of an opinion as to the City or any aspect of any project (including, but not limited, to the financial viability of any project) other than with respect to conformance with the Climate Bond Standard.]

The 2021B Bonds will not constitute "exempt facility bonds" issued to finance "green building and sustainable design projects" within the meaning of Section 142(1) of the Internal Revenue Code of 1986.

In issuing or monitoring, as applicable, the certification, the CBI has assumed and relied upon and will assume and rely upon the accuracy and completeness in all material respects of the information supplied or otherwise made available to the CBI. The CBI does not assume or accept any responsibility to any person for independently verifying (and it has not verified) such information or to undertake (and it has not undertaken) any independent evaluation of any project of the City. In addition, the CBI does not assume any obligation to conduct (and it has not conducted) any physical inspection of a project. The certification may only be used with the 2017B Bonds, the 2019B Bonds, the 2020B Bonds and the 2021B Bonds and may not be used for any other purpose without the CBI's prior written consent.

The certification does not and is not in any way intended to address the likelihood of timely payment of interest when due on the 2021B Bonds and/or the payment of principal at maturity or any other date. The certification may be withdrawn at any time in the CBI's sole and absolute discretion and there can be no assurance that such certification will not be withdrawn.

The CBI is not a licensed broker-dealer or a nationally recognized statistical ratings organization. Certification by the CBI is not a recommendation to buy, sell or hold securities, and such certification may be subject to revision or withdrawal, including, without limitation, if the City's future capital expenditures from the proceeds of the 2021B Bonds vary from the anticipated expenditures reviewed by the CBI. The City will undertake reasonable efforts to ensure that any adjustment of capital expenditures or other actions taken with respect to the 2021B Bonds will not result in revision or withdrawal of the CBI's certification; however, there can be no guarantee that such adjustment or other action or a future revision to the CBI's criteria for certifying bonds will not result in a withdrawal or revision of the CBI's certification.

The Fiscal Agent Agreement does not restrict the use of proceeds of the 2021B Bonds or future issuances of bonds to the financing of Green Projects and, in the future, the City, on behalf of the District,

may issue additional bonds which are not designated as Green Bonds or certified by the CBI. The repayment obligations with respect to the 2021B Bonds are not conditioned on the completion of any particular project or the satisfaction of any condition relating to the status of the 2021B Bonds as Green Bonds or the certification of such bonds by the CBI. See “SECURITY FOR THE BONDS” herein.

Pursuant to the Continuing Disclosure Certificate, the City will provide to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access website (“EMMA”) an annual report with a statement confirming if applicable that, during the most recent fiscal year, proceeds of the 2021B Bonds were spent only on the Green Projects identified herein. In addition, under the Continuing Disclosure Certificate, within 10 days after the City receives a written statement from the Climate Bonds Initiative to the effect that the 2021B Bonds are no longer certified in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard, the City will post, or cause to be posted, notice of such written statement on EMMA. See APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

DEBT SERVICE

Debt Service Schedule for 2021B Bonds

The following is the debt service schedule for the 2021B Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

| Year Ending (September 1) | 2021B Bonds | | |
|--------------------------------------|--------------------|-----------------|--------------|
| | Principal | Interest | Total |
| | \$ | \$ | \$ |
| Total | \$ | \$ | \$ |

Projected Debt Service Coverage

The following table sets forth projected debt service coverage with respect to the outstanding Parity Bonds and the 2021B Bonds, assuming Special Taxes are collected when levied and no optional redemptions.

| <u>Year Ending</u> ⁽¹⁾ | <u>Outstanding Parity Bonds Debt Service</u> ⁽²⁾ | <u>2021B Bonds Debt Service</u> ^{*(3)} | <u>Total Parity Bonds Debt Service</u> [*] | <u>Projected Maximum Special Tax Revenue</u> | <u>Projected Debt Service Coverage</u> ^{*(4)} |
|-----------------------------------|---|---|---|--|--|
| 2022 | \$ | \$ | \$ 22,717,219 | \$ 29,480,284 | x |
| 2023 | | | 23,153,774 | 30,069,889 | |
| 2024 | | | 23,621,626 | 30,671,287 | |
| 2025 | | | 24,097,888 | 31,284,713 | |
| 2026 | | | 24,585,330 | 31,910,407 | |
| 2027 | | | 25,078,946 | 32,548,615 | |
| 2028 | | | 25,581,116 | 33,199,588 | |
| 2029 | | | 26,084,775 | 33,863,579 | |
| 2030 | | | 26,601,717 | 34,540,851 | |
| 2031 | | | 27,138,234 | 35,231,668 | |
| 2032 | | | 27,685,617 | 35,936,301 | |
| 2033 | | | 28,249,917 | 36,655,027 | |
| 2034 | | | 28,801,118 | 37,388,128 | |
| 2035 | | | 29,386,850 | 38,135,890 | |
| 2036 | | | 29,969,680 | 38,898,608 | |
| 2037 | | | 30,564,328 | 39,676,580 | |
| 2038 | | | 31,181,493 | 40,470,112 | |
| 2039 | | | 31,802,192 | 41,279,514 | |
| 2040 | | | 32,448,261 | 42,105,104 | |
| 2041 | | | 33,094,132 | 42,947,207 | |
| 2042 | | | 33,751,936 | 43,806,151 | |
| 2043 | | | 34,424,520 | 44,682,274 | |
| 2044 | | | 35,113,648 | 45,575,919 | |
| 2045 | | | 35,820,820 | 46,487,438 | |
| 2046 | | | 36,537,345 | 47,417,186 | |
| 2047 | | | 34,246,397 | 45,031,890 | |
| 2048 | | | 34,928,042 | 45,932,528 | |
| 2049 | | | 13,324,814 | 22,308,969 | |
| 2050 | | | 1,734,831 | 8,684,342 | |
| Total | \$ | \$ | \$811,726,565 | \$1,066,220,049 | |

Totals may not add due to rounding.

* Preliminary, subject to change.

(1) Projected maximum Special Tax Revenues are presented for the fiscal year ending on June 30 of each year; debt service is presented for the bond year ending September 1 of each year.

(2) Includes debt service payable on the outstanding 2017 Bonds, 2019 Bonds and 2020B Bonds, net of any capitalized interest.

(3) Projection reflects only the current Taxable Buildings (Subject Properties). Special Taxes may only be levied on any individual parcel in the District for a maximum term of 30 years. Accordingly, certain of the parcels with Taxable Buildings (Subject Properties) will no longer be subject to the Special Tax levy prior to the final maturity of the 2021B Bonds. Debt service on the Bonds has been structured to maintain coverage from projected maximum Special Tax Revenues of at least 110%, reflecting the termination of the levy on Taxable Buildings (Subject Properties) within the District. See "SPECIAL RISK FACTORS – Maximum Term of Levy" herein.

(4) Represents projected Special Tax Revenues divided by the total annual debt service for the outstanding Parity Bonds and the 2021B Bonds.

SECURITY FOR THE BONDS

General

The Bonds will be secured by a first pledge pursuant to the Fiscal Agent Agreement of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under the Fiscal Agent Agreement. "Special Tax Revenues" means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method on Parcels developed with Taxable Buildings. In general, Special Taxes can only be levied on a property within the District if: (i) the property is a "Conditioned Project," as defined in the Rate and Method; (ii) a Certificate of Occupancy has been issued for the property; and (iii) a Tax Commencement Authorization for the property has been executed by the Director, Controller's Office of Public Finance. A Conditioned Project is a Development Project that is required to participate in funding Authorized Facilities through the District, because it received a zoning bonus to exceed the height and floor-to-area ratios that would have otherwise been applicable under the City's Planning Code. See APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

Limited Obligation

The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The 2021A Bonds are payable from Special Tax Revenues and certain other funds specified in the Fiscal Agent Agreement on a parity basis with certain outstanding bonds, and the City may issue additional parity bonds in the future. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Teeter Plan

The Board of Supervisors of the City adopted the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds" (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, in 1993 pursuant to Resolution No. 830-93. The Teeter Plan provides for the allocation and distribution of property tax levies and collections and of tax sale proceeds. *Under the Teeter Plan, the City will maintain a tax loss reserve fund for the purpose of paying each taxing agency 100% of the amounts of secured taxes (including the Special Taxes of the District) levied on the tax bill irrespective of any delinquent taxes.* By Resolution No. 245-17, adopted on June 13, 2017, the Board of Supervisors extended the Teeter Plan to the allocation and distribution of Special Taxes.

The City also maintains a Tax Loss Reserve. The Tax Loss Reserve set aside is equal to 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown. For a discussion of the status of the City's Tax Loss Reserve, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – PROPERTY TAXATION – Tax Levy and Collection" attached hereto.

The Special Taxes levied in the District are the only community facilities district special taxes in the City that are currently distributed based upon the Teeter method. There are also four city-wide parcel taxes, which are similarly billed as direct charges on property tax bills, that are distributed based upon the Teeter method. The extension of the Teeter Plan to Special Taxes levied in the District shall remain in effect unless otherwise discontinued in accordance with applicable law. The City has the power to include additional taxing agencies on the Teeter Plan. The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies.

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The City currently has no plan to remove the District from the Teeter Plan. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2021B Bonds. Such rating reflects only the views of Fitch Ratings and any desired explanation of the significance of such rating should be obtained from Fitch Ratings. See "RATING" herein.

Special Tax Fund

Special Tax Fund. Pursuant to the Fiscal Agent Agreement, there is established a "Special Tax Fund" to be held by the Fiscal Agent, to the credit of which the Fiscal Agent will deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City has agreed in the Fiscal Agent Agreement that it will promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund. Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent as follows:

- first, for transfer to the Bond Fund to pay any past due debt service on the Bonds;
- second, without preference or priority for transfer to (a) the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement and (b) the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein (and in the event the collection of delinquencies in payment of Special Taxes are not sufficient for the purposes of this clause, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and
- third, to be held in the Special Tax Fund for use as described in below under "*- Disbursements from the Special Tax Fund*"; and

(ii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the City and Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Disbursements from the Special Tax Fund. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) above under “- *Special Tax Fund*”; and

(ii) without preference or priority (a) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

Each calendar year, following the transfers pursuant to the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers pursuant to the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct in writing the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund (or the accounts therein) for payment or reimbursement of the costs of the Project, (ii) direct the Fiscal Agent to transfer money to the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for Administrative Expenses for such Fiscal Year and (iii) direct the Fiscal Agent to transfer money for any other lawful purpose.

Administrative Expense Fund

The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Fund established under the Fiscal Agent Agreement an amount equal to the amount specified in an Officer’s Certificate to be used to pay an Administrative Expense or a Cost of Issuance. Amounts deposited in the Administrative Expense Fund are not pledged to the repayment on the Bonds.

Bond Fund

The Bond Fund is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent. Moneys in the Bond Fund will be held by the Fiscal Agent for the benefit of the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Flow of Funds for Payment of Principal and Interest. At least ten (10) days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer of the collections of delinquent Special Taxes will be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. If amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly will notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

If amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent will do the following:

(i) Withdraw from the Reserve Fund, in accordance with the provisions of the Fiscal Agent Agreement, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the outstanding Parity Bonds and the 2021B Bonds and any other Related Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from the reserve fund shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding bonds, subject to the restrictions on the uses of any funds as set forth in the Fiscal Agent Agreement. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Any failure by the Fiscal Agent to provide the notices required by the Fiscal Agent Agreement will not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

Special Tax Prepayments Account. Within the Bond Fund a separate account will be held by the Fiscal Agent, designated the “Special Tax Prepayments Account.” Moneys in the Special Tax Prepayments Account will be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under the Fiscal Agent Agreement and will be used (together with any amounts transferred for the purpose) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Reserve Fund

The District has established a Reserve Fund for the benefit of the outstanding Parity Bonds, the 2021B Bonds and any future Bonds issued as Related Parity Bonds pursuant to the Fiscal Agent Agreement. As a result of the contributions to the Reserve Fund described in “ESTIMATED SOURCES AND USES OF FUNDS,” the Reserve Fund will be funded at the Reserve Requirement for the 2017 Bonds, the 2019 Bonds, the 2020B Bonds and the 2021B Bonds as of the date of issuance of the 2021B Bonds.

Except as otherwise provided in the Fiscal Agent Agreement, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2017 Bonds and the Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming the 2017 Bonds and the Related Parity Bonds from the Bond Fund.

“Reserve Requirement” means, as of the date of calculation, which shall be (A) the date of issuance of the outstanding Parity Bonds, the 2021B Bonds and any future Related Parity Bonds and (B) the date of defeasance or redemption of any of the outstanding Parity Bonds, the 2021B Bonds or any future Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the outstanding Parity Bonds, the 2021B Bonds and any future Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the outstanding Parity Bonds, the 2021B Bonds and any future Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the original principal amount of the outstanding Parity Bonds, the 2021B Bonds and any future Related Parity Bonds (or, if the outstanding Parity Bonds, the 2021B Bonds and any future Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, 10% of the issue price of the outstanding Parity Bonds, the 2021B Bonds and any Related Parity Bonds); provided that, with respect to the issuance of any Related Parity Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the Related Parity Bonds (or, if the Related Parity Bonds have more than a *de minimis* amount of original issue discount or premium, of the issue price of such Related Parity Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%); and provided that accrued interest on any Related Parity Bonds deposited with the Fiscal Agent upon delivery of such Related Parity Bonds shall be excluded for purposes of the calculation of the Reserve Requirement.

The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation.

See APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” attached hereto for further information about the Reserve Fund.

Rate and Method of Apportionment of Special Taxes

The following is a brief summary of certain provisions of the Rate and Method. This summary does not purport to be comprehensive and reference should be made to the full Rate and Method attached hereto as Appendix B.

Certain Definitions. All capitalized terms not defined in this section have the meanings set forth in the Rate and Method attached hereto as Appendix B.

“Administrator” means the Director of the Office of Public Finance who shall be responsible for administering the Special Tax according to the Rate and Method.

“Affordable Housing Project” means a residential or primarily residential project, as determined by the Zoning Authority, within which all Residential Units are Below Market Rate Units.

“Building” means a permanent enclosed structure that is, or is part of, a Conditioned Project.

“Certificate of Occupancy” means the first certificate, including any temporary certificate of occupancy, issued by the City to confirm that a Building or a portion of a Building has met all of the building codes and can be occupied for residential and/or non-residential use. For purposes of the Rate and Method, “Certificate of Occupancy” shall not include any certificate of occupancy that was issued prior to January 1, 2013 for a Building within the District; however, any subsequent certificates of occupancy that are issued for new construction or expansion of the Building shall be deemed a Certificate of Occupancy and the associated Parcel(s) shall be categorized as Taxable Parcels if the Building is, or is part of, a Conditioned Project and a Tax Commencement Authorization has been provided to the Administrator for the Building.

“Conditioned Project” means a Development Project that is required to participate in funding Authorized Facilities through the District.

“CPC” means the Capital Planning Committee of the City and County of San Francisco, or if the Capital Planning Committee no longer exists, “CPC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

“Development Project” means a residential, non-residential, or mixed-use development that includes one or more Buildings, or portions thereof, that are planned and entitled in a single application to the City.

“Initial Annual Adjustment Factor” means, as of July 1 of any Fiscal Year, the Annual Infrastructure Construction Cost Inflation Estimate published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to Section 409(b) of the Planning Code, as may be amended from time to time. If changes are made to the office responsible for calculating the annual adjustment, the name of the inflation index, or the date on which the development fee adjustment takes effect, the Administrator shall continue to rely on whatever annual adjustment factor is applied to the City’s development impact fees in order to calculate adjustments to the Base Special Taxes. Notwithstanding the foregoing, the Base Special Taxes shall, in no Fiscal Year, be increased or decreased by more than four percent (4%) of the amount in effect in the prior Fiscal Year.

“IPIC” means the Interagency Plan Implementation Committee, or if the Interagency Plan Implementation Committee no longer exists, “IPIC” shall mean the designated staff member(s) within the City and/or TJPA that will recommend issuance of Tax Commencement Authorizations for Conditioned Projects within the District.

“Taxable Building” means, in any Fiscal Year, any Building within the CFD that is, or is part of, a Conditioned Project, and for which a Certificate of Occupancy was issued and a Tax Commencement Authorization was received by the Administrator on or prior to June 30 of the preceding Fiscal Year. If only a portion of the Building is a Conditioned Project, as determined by the Zoning Authority, that portion of the Building shall be treated as a Taxable Building for purposes of the Rate and Method.

“Taxable Parcel” means, within a Taxable Building, any Parcel that is not exempt from the Special Tax pursuant to law or the Rate and Method. If, in any Fiscal Year, a Special Tax is levied on only Net New Square Footage in a Taxable Building, only the Parcel(s) on which the Net New Square Footage is located shall be Taxable Parcel(s) for purposes of calculating and levying the Special Tax pursuant to the Rate and Method. “Net New Square Footage” means any Square Footage added to a Taxable Building after the Initial Square Footage in the Building has paid Special Taxes in one or more Fiscal Years.

“Tax Commencement Authorization” means a written authorization issued by the Administrator upon the recommendations of the IPIC and CPC in order to initiate the levy of the Special Tax on a Conditioned Project that has been issued a Certificate of Occupancy.

“Zoning Authority” means either the City Zoning Administrator, the Executive Director of the San Francisco Office of Community Investment and Infrastructure, or an alternate designee from the agency or department responsible for the approvals and entitlements of a project in the District. If there is any doubt as to the responsible party, the Administrator shall coordinate with the City Zoning Administrator to determine the appropriate party to serve as the Zoning Authority for purposes of this RMA.

General. A Special Tax applicable to each Taxable Parcel in the District shall be levied and collected according to the tax liability determined by the Administrator through the application of the appropriate amount or rate for Square Footage of a Taxable Parcel, as described below. All Taxable Parcels in the District shall be taxed for the purposes, to the extent, and in the manner provided in the Rate and Method, including property subsequently annexed to the District unless a separate Rate and Method of Apportionment of Special Tax is adopted for the Future Annexation Area.

In general, Special Taxes can only be levied on a property within the District if: (i) the property is a “Conditioned Project,” as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the Director, Controller’s Office of Public Finance. Special Taxes cannot be levied on: (i) undeveloped property within the District or (ii) any parcel that has not met the conditions specified in the first sentence of this paragraph.

See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

Special Tax Rates. The Rate and Method provides how the Special Tax Rates are determined generally based on a maximum tax rate per square foot that varies based on type of building, height of building, year of initial taxation and an annual escalator. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

Maximum Special Tax. Upon issuance of a Tax Commencement Authorization and the first Certificate of Occupancy for a Taxable Building within a Conditioned Project that is not an Affordable Housing Project, the Administrator shall coordinate with the Zoning Authority to determine the Square Footage of each Land Use on each Taxable Parcel. The Administrator shall then apply the steps set forth in the Rate and Method to determine the Maximum Special Tax for the next succeeding Fiscal Year for each Taxable Parcel in the Taxable Building.

Annual Escalation in Special Tax Rates. The Maximum Annual Special Tax Rates applicable to a Taxable Building escalate annually at 2% per year. Until a Maximum Annual Special Tax Rate is established for a Taxable Building, the Initial Annual Adjustment Factor is used to increase or decrease the Base Special Tax each July 1 by not more than four percent (4%) of the amount in effect in the prior Fiscal Year. The Base Special Tax rates are used to calculate the Maximum Special Tax for each Taxable Parcel in a Taxable Building for the first Fiscal Year in which the Building is a Taxable Building. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto. The Initial Annual Adjustment Factor, subject to the limits described in the Rate and Method, is equal to the Annual Infrastructure Construction Cost Inflation Estimate (the “AICCIE”), as of July 1 of the applicable Fiscal Year, published by the Office of the City Administrator’s Capital Planning Group and used to calculate the annual adjustment to the City’s development impact fees that took effect as of January 1 of the prior Fiscal Year pursuant to the City’s Planning Code.

The AICCIE and the Initial Annual Adjustment Factors since Fiscal Year 2014-15 are summarized below.

| <u>(Fiscal Year)</u> | <u>AICCIE</u> | <u>Initial Annual Adjustment</u> |
|----------------------|---------------|----------------------------------|
| 2014-15 | 4.50% | 4.00% |
| 2015-16 | 5.00 | 4.00 |
| 2016-17 | 5.00 | 4.00 |
| 2017-18 | 5.00 | 4.00 |
| 2018-19 | 5.75 | 4.00 |
| 2019-20 | 6.00 | 4.00 |
| 2020-21 | 5.50 | 4.00 |
| 2021-22 | 3.50 | 3.50 |

Source: City; Special Tax Consultant.

For a discussion of changes to the Maximum Special Tax under the Rate and Method, see APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

Covenant for Superior Court Foreclosure

General. In the event of a delinquency in the payment of any installment of Special Taxes, the City is authorized by the Act to order institution of an action in the Superior Court of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the City to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” and “SPECIAL RISK FACTORS – Tax Delinquencies” herein. Such judicial foreclosure proceedings are not mandatory under the Act.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the City. Special Taxes may be levied on all property within the District up to the maximum amount permitted under the Rate and Method to provide the amount required to pay debt service on the Bonds, however, the Special Tax levy on property used for private residential purposes may not increase by more than 10% above the amount that would have been levied in that Fiscal Year as a consequence of delinquencies or defaults by the owners of any other parcels in the District.

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment and any liens extinguished by the sale are revived as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

Covenant to Foreclose. Under the Act, the City covenants in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Fiscal Agent Agreement, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the City, and:

(A) ***Individual Delinquencies.*** If the Finance Director determines that (i) any single parcel subject to the Special Tax in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$40,000 or more or (ii) any single parcel subject to the Special Tax in the District is delinquent in the payment of three or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) ***Aggregate Delinquencies.*** If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire District, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the District with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense.

No Obligation of the City Upon Delinquency

The City is under no obligation to transfer any funds of the City into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest

on the Bonds if a delinquency occurs in the payment of any Special Taxes, other than Special Tax Revenues. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein, for a discussion of the City’s obligation to foreclose Special Tax liens upon delinquencies, and “SECURITY FOR THE BONDS – Reserve Fund” herein, for a discussion of the Reserve Fund securing the outstanding Parity Bonds, the 2021B Bonds and any future Bonds issued as Related Parity Bonds. Notwithstanding the foregoing, so long as the District is included in the Teeter Plan, the Fiscal Agent will receive 100% of the Special Tax levy regardless of any delays in the payment or collection of the Special Taxes.

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3rds) of the participant taxing agencies. However, discontinuation of the Teeter Plan could adversely affect the rating on the 2021B Bonds. See “– Teeter Plan” above.

Parity Bonds

The City may issue Bonds in addition to the outstanding Parity Bonds and the 2021B Bonds under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agent Agreement. The principal amount of the 2021B Bonds and all Parity Bonds cannot exceed \$1.4 billion (although Parity Bonds that constitute refunding bonds under the Act will not count against this \$1.4 billion limit). The City may issue such Parity Bonds, on a parity basis with the 2021B Bonds and the outstanding Parity Bonds, subject to the following specific conditions precedent:

(A) *Compliance.* The City shall be in compliance with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the District’s \$1.4 billion limitation on debt.

(B) *Same Payment Dates.* The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) *Separate Funds; Reserve Fund or Reserve Account.* The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for one of the following:

(i) a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein shall equal the Reserve Requirement following issuance of the Parity Bonds (in which case such Parity Bonds will constitute “Related Parity Bonds”);

(ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund and that the Owners of the Bonds covered by the Reserve Fund will have no interest in or claim to such other reserve account; or

(iii) no deposit to either the Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund or any other reserve account. The Supplemental Agreement may provide that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) *Value.* The CFD Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the “Other District Bonds”) equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the District, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) *Coverage.* For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels as of the date of issuance of such Parity Bonds, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds. “Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year.

(F) *Certificates.* The City shall deliver to the Fiscal Agent an Officer’s Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) above have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer’s Certificate in clause (F) above need not make reference to clauses (D) and (E). The City is not prohibited from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge under the Fiscal Agent Agreement.

THE CITY

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, generally bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa and Sonoma “wine country” is about an hour’s drive to the north. As of January 1, 2021, the State estimates the City’s population to be 875,010. For additional information regarding the City, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO” attached hereto.

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

The 2021B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City's finances does not suggest that the City has an obligation to pay debt service on the 2021B Bonds from any other sources of funds. See "SECURITY FOR THE BONDS – Limited Obligation" herein.

THE DISTRICT

Formation

On July 15, 2014, the Board of Supervisors of the City adopted Resolution No. 247-14 stating its intent to form the District under the Act and Resolution No. 246-14, in which it declared its intention to incur bonded indebtedness on behalf of the District in an aggregate amount not to exceed \$1.4 billion. On September 23, 2014, after holding a noticed public hearing, the Board of Supervisors adopted Resolution Nos. 350-14 and 351-14, forming the District and, subject to approval by the qualified electors, approving the levy of special taxes within the District according to the Rate and Method, an annual appropriations limit for the District not to exceed \$300,000,000 and bonded indebtedness in an amount not to exceed \$1.4 billion.

On December 29, 2014, an election was held within the District pursuant to the Act at which at least two-thirds of the qualified landowner electors approved the levy of special taxes according to the Rate and Method, incurrence of bonded indebtedness in an aggregate amount not to exceed \$1.4 billion and the appropriations limit. On January 13, 2015, the Board of Supervisors adopted Ordinance No. 1-15, levying special taxes in the District. The Mayor approved the Ordinance on January 20, 2015. See "SECURITY FOR THE BONDS" and APPENDIX B – "AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" attached hereto.

At the time it established the District, the City also established the Future Annexation Area for the District to enable properties to annex into the District with fewer procedural requirements than would otherwise be required under the Act. Property owners in the Future Annexation Area annex into the District by executing a unanimous approval. Under the Act, a unanimous approval constitutes the vote of a qualified elector in favor of the matters addressed in the unanimous approval for purposes of the California Constitution.

Taxable Buildings (Subject Properties)

In general, Special Taxes can only be levied on a property within the District if: (i) the property is a “Conditioned Project,” as defined in the Rate and Method, (ii) a Certificate of Occupancy has been issued for the property and (iii) a Tax Commencement Authorization for the property has been executed by the City through the Director, Controller’s Office of Public Finance.

There are currently nine Taxable Buildings (Subject Properties) which are subject to the District’s Special Tax levied by the Board of Supervisors of the City. In addition to the nine Taxable Buildings (Subject Properties), there are currently three additional Conditioned Projects in the District and three Conditioned Projects in the Future Annexation Area planned for residential, commercial or mixed use that may become subject to the Special Tax. See “SPECIAL RISK FACTORS – Concentration of Property Ownership” herein.

The following table sets forth the Taxable Buildings (Subject Properties) contributing to the Special Tax Revenues that are available to pay debt service on the 2021B Bonds, the taxable square footage used to calculate Maximum Annual Special Tax Revenues, and the first year in which each Taxable Building became subject to the Special Tax levy.

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Table 1
Community Facilities District No. 2014-1
(Transbay Transit Center)
Taxable Buildings (Subject Properties)

| Projects | Street Address | Office (sq. ft.) | Retail (sq. ft.) | Hotel (sq. ft.) | Rental Residential (sq. ft.) | For-Sale Residential (sq. ft.) | Building Stories | First Fiscal Year of Special Tax Levy | Final Fiscal Year of Special Tax Levy |
|----------------------|-----------------------|----------------------------|----------------------------|---------------------------|--|--|-------------------------|--|--|
| Salesforce East | 350 Mission Street | 47,645 | 4,355 | - | - | - | 30 | 2016-17 | 2045-46 |
| Solaire | 299 Fremont Street | - | 7,204 | - | 288,937 | - | 32 | 2016-17 | 2045-46 |
| Salesforce Tower | 415 Mission Street | 1,413,397 | 6,789 | - | - | - | 61 | 2018-19 | 2047-48 |
| 33 Tehama | 41 Tehama Street | - | 788 | - | 236,375 | - | 34 | 2018-19 | 2047-48 |
| 181 Fremont Street | 181 Fremont Street | 433,669 | 2,663 | - | - | 121,328 | 54 | 2018-19 | 2047-48 |
| Park Tower (Block 5) | 250 Howard Street | 755,914 | 8,745 | - | - | - | 43 | 2019-20 | 2048-49 |
| The Avery (Block 8) | 250 Folsom Street | - | 16,988 | - | 192,010 | 210,102 | 55 | 2019-20 | 2048-49 |
| 500 Folsom (Block 9) | 500 Folsom Street | - | 5,678 | - | 316,671 | - | 42 | 2020-21 | 2049-50 |
| Mira (Block 1) | 160 Folsom Street | - | 10,201 | - | - | 301,097 | 39 | 2020-21 | 2049-50 |
| Total | | 2,650,625 | 63,411 | - | 1,033,993 | 632,527 | | | |

Source: San Francisco Planning Department; OCII; Special Tax Consultant.

Description of Existing Taxable Buildings (Subject Properties)

Each of the above-listed nine buildings in the District have received a Certificate of Occupancy and a Tax Commencement Authorization and thus constitute “Taxable Buildings (Subject Properties).” The Special Tax will be levied on the Taxable Buildings (Subject Properties) based on all or a portion of the square footage of each building, not on the building’s assessed valuation. See “SECURITY FOR THE BONDS” herein. The levy of the Special Tax is not contingent upon the leasing or sale of space in any of the Taxable Buildings (Subject Properties). **The City has obtained certain information relating to the following buildings from publicly available information. However, the City does not guarantee such information, which is provided for general reference only.**

Solaire (Block 6) (299 Fremont Street) . The buildings located at 299 Fremont Street include a 32-story residential tower and 7 townhomes with a total of 409 rental units marketed as Solaire. The total leasable square feet in the buildings is 296,141. All of the residential units are intended to serve as rental housing with unit sizes ranging from 422 square foot studio units to 1,562 square foot, two-bedroom, two-and-a-half bath units. Amenities include a fitness center, community room and kitchen, media room, game room, yoga studio, and a roof deck lounge and spa. The buildings were completed in February 2017 and opened in March 2017. The City understands that the building is owned by Block 6 Joint Venture LLC, an affiliate of Golub Real Estate Corporation. The residential tower contains 7,204 square feet of retail space on the ground floor. Solaire also includes affordable housing that is not subject to the Special Tax. The Special Tax was first levied for these buildings in Fiscal Year 2016-17.

Salesforce East (350 Mission Street). The building located at 350 Mission Street is a 30-story LEED® Platinum-certified office tower completed in 2015 containing approximately 420,000 square feet of floor area. The Special Tax was first levied for this building in Fiscal Year 2016-17. The lobby features a cantilever, with 90 feet of glass panels that slide open and closed, adjoining the lobby to the street. The lobby includes a cafe and restaurant, amphitheater seating, and space that can be configured for pop-up events. A commissioned work of digital art in the lobby animates a 70-by-38-foot LED screen that is visible from the street. The City understands that Salesforce.com, inc., a global cloud computing company (publicly traded as CRM on the New York Stock Exchange), is currently the primary tenant in the building (but has subleased part of its space since the COVID-19 pandemic) and Kilroy Realty Corp, a privately held real estate investment trust, is the owner of the 350 Mission Street property.

The Special Tax for 350 Mission Street is calculated based solely on the square footage of three floors that allowed a zoning bonus, which constitutes a Conditioned Project under the Rate and Method. Prior to adoption of the TCDP and the levy of the Special Tax, the 350 Mission Street project was entitled at approximately 24 stories and 375 feet in height, which was the maximum density allowed at that time, despite the fact that the height limit for the planned building was 550 feet. After the TCDP was approved, while the project was already under construction, the developer was able to re-entitle the project to add several stories to permit a higher building. This sequencing is why only a few floors are subject to the Special Tax. If the project had first been entitled after the TCDP was adopted, the entire building would have been subject to the Special Tax. However, the Special Tax levy is secured by the full 350 Mission Street parcel. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

Salesforce Tower (415 Mission Street). The building located at 415 Mission Street contains a mix of office and retail uses. The building is currently the tallest in the City and the second-tallest west of the Mississippi River with a top roof height of 970 feet and an overall height of 1,070 feet. The building has 61 floors with 13-foot high ceilings. The building is LEED® Core and Shell Platinum certified and contains a number of environmentally friendly features. The total leasable square feet in the building is 1,420,186. The City understands that substantially all of such total leasable area in the building has been leased, with Salesforce.com, inc leasing approximately half of the office space. Salesforce.com, inc. also purchased the naming rights for the building. The current owner of the 415 Mission Street property is Boston Properties. Occupancy of the building began in 2018. The Special Tax for this building was first levied in Fiscal Year 2018-19.

33 Tehama (41 Tehama Street). The building located at 41 Tehama Street is 34 stories and contains 403 units of multi-family luxury apartments and a small retail space. The building is marketed as “33 Tehama.” Of the 403 residential units, only 343 are subject to the Special Tax. Building amenities include a gym and the entire top floor developed with lounges, co-working space, a kitchen for entertaining, outdoor terraces, barbeque areas and a game room. The total leasable square feet in the building is 278,663. The building opened in January 2018. The current owner of the 33 Tehama property is an affiliate of Hines. The Special Tax was first levied for this building in Fiscal Year 2018-19.

181 Fremont (181 Fremont Street). The building located at 181 Fremont Street is 54 stories and includes 557,660 square feet of taxable space. The building is marketed as “181 Fremont.” The lower 34 floors include 433,669 square feet of leasable office space and 2,663 square feet of leasable retail space. The City understands that all of the office space has been leased by Facebook. The upper floors include 67 luxury condominiums (121,328 square feet of taxable space) marketed as 55 for-sale condominiums and 12 accessory units for guest quarters. As of April 1, 2021, 30 condominiums and 7 accessory units had reportedly been purchased by individual owners at prices ranging from \$2,150,000 to \$15,000,000 for the condominiums and \$1,400,000 to \$1,750,000 for the accessory units. The residential lobby is twenty-five feet tall and enclosed in glass. Amenities encompass an entire floor and feature a wrap-around observation terrace, The Conservatory, Bay Terrace, fitness center with yoga room, two lounges, a library, catering kitchen, and conference room. The building opened in April 2018. The current owner of the 181 Fremont LLC property is an affiliate of Jay Paul Company. The Special Tax was first levied for this building in Fiscal Year 2018-19.

Park Tower (Block 5) (250 Howard Street). The building located at 250 Howard Street is a 43-story, 605-foot tower containing 755,914 square feet of office space and 8,745 of retail space. The building is marketed as “Park Tower.” The City understands that all of the office space in the building has been leased to Facebook. The current owners of the 250 Howard Street property through a limited liability company are MetLife, the John Buck Co. and Golub & Co. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in October 2018. The Special Tax was first levied for this building in Fiscal Year 2019-20.

The Avery (Block 8) (250 Fremont Street). The building located at 250 Fremont Street is a 56-story tower that contains 280 market rate and 150 affordable apartment units. In addition, there are 118 for-sale condominiums and 16,988 square feet of ground floor retail set around an open space. Of the residential units, only the market rate units are subject to the Special Tax. As of April 1, 2021, 29 condominiums had reportedly been purchased by individual owners at prices ranging from \$1,750,000 to \$9,250,000. The building, marketed as “The Avery,” includes a lobby, shared laundry facility, rooftop community garden, community room, an outdoor play area, and bicycle parking available in the parking garage. The Related Companies and Tenderloin Neighborhood Development Corporation, through a limited partnership, collectively developed the 100% affordable podium building. The current owner of the 250 Fremont Street residential rental and for-sale tower is an affiliate of the Related Companies. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in April 2019. The Special Tax was first levied for this building in Fiscal Year 2019-20.

500 Folsom (Block 9) (500 Folsom Street). The building located at 500 Folsom Street is a 42-story tower with 537 rental apartments and ground floor retail space. The building is marketed as “500 Folsom.” The residential units include studios, one- and two-bedroom apartment homes, of which 428 units are market rate and subject to the Special Tax. The building contains social spaces and amenities such as a spa, gated underground parking, community gardens, fitness center, yoga and spin rooms, as well as a community room. The current owners of the residential rental tower are Essex Property Trust, Inc. and TMG Partners. The building received its Temporary Certificate of Occupancy and a Tax Commencement Authorization in September 2019. The Special Tax was first levied for this building in Fiscal Year 2020-21.

Mira (Block 1) (160 Folsom Street). The development features a tower and two townhome/podium structure buildings, a central courtyard and a roof deck accessible to all residents. The tower building located at 280 Spear Street (previously part of 160 Folsom Street) is a 39-story tower that contains 236 for-sale market rate condominium units (subject to the Special Tax). The tower contains 80 inclusionary for-sale affordable condominium units, with an additional 76 for-sale affordable condominium units located in the podium building located at 285 Main Street, which is adjacent to the

tower and townhome complex. The project also features about 10,201 square feet of ground-floor retail space. The Block 1 development is marketed as “Mira” and includes condominiums with studios, one, two and three-bedroom homes, including 20 penthouse homes on the top five floors of the building. Amenities include a rooftop deck space, central courtyard, private dining room, club lounge, gym, children’s playroom, business and conference center, dog-washing station, valet parking, electric vehicle charging stations and bike parking. The project has LEED Gold certification, a high sustainability mark, and includes a graywater harvesting system, green roof, and high-efficiency fixtures. The current owners of the tower are Tishman Speyer and Shanghai Longlife Business Group Co. Ltd. The building received its Temporary Certificate of Occupancy in May 2020 and Tax Commencement Authorization in June 2020. The Special Tax was first levied for this building in Fiscal Year 2020-21.

Taxable Buildings Summary, Special Tax Levy, Assessed Values and Value to Lien Ratios

The table below reflects assessed values for Fiscal Year 2021-22, reflecting values as of the January 1, 2021 lien date. The COVID-19 pandemic’s impacts to the City and the District, a downturn of the economy or other market factors may depress assessed values in subsequent years and hence, affect the value-to-lien ratios presented below. At this time, it is not possible to predict whether property values may decline or whether any decline would affect timely payment of Special Taxes.

Table 2
Community Facilities District No. 2014-1
(Transbay Transit Center)
Taxable Buildings (Subject Properties), Assessed Values and Value to Lien Ratios

(See following page.)

| Building and Land Use Category | Square Feet | FY 2021-22 Special Tax Levy | Percent of FY 2021-22 Special Tax Levy | Estimated FY 2022-23 Special Tax Levy | Percent of Estimated FY 2022-23 Special Tax Levy | Allocable Share of Bonds^{(1)*} | FY 2021-22 Assessed Value | Aggregate Value-to-Lien Ratio |
|---|--------------------|------------------------------------|---|--|---|--|----------------------------------|--------------------------------------|
| Salesforce East (350 Mission Street)⁽²⁾ | | | | | | | | |
| Office | 47,645 | \$257,991 | 0.9% | \$263,151 | 0.9% | \$4,400,508 | -- | -- |
| Retail | 4,355 | 17,200 | 0.1 | 17,544 | 0.1 | 293,369 | -- | -- |
| Subtotal | 52,000 | \$275,191 | 0.9% | \$280,694 | 0.9% | \$4,693,878 | \$416,425,030 | 88.72 |
| Solaire (Block 6) (299 Fremont Street) | | | | | | | | |
| Rental Residential | 288,937 | \$1,728,315 | 5.9% | \$1,762,881 | 5.9% | \$29,479,563 | -- | -- |
| Retail | 7,204 | 28,451 | 0.1 | 29,020 | 0.1 | 485,288 | -- | -- |
| Subtotal | 296,141 | \$1,756,766 | 6.0% | \$1,791,902 | 6.0% | \$29,964,852 | \$311,494,178 | 10.40 |
| Salesforce Tower (415 Mission Street) | | | | | | | | |
| Office | 1,413,397 | \$8,960,100 | 30.4% | \$9,139,302 | 30.4% | \$152,830,851 | -- | -- |
| Retail | 6,789 | 27,874 | 0.1 | 28,432 | 0.1 | 475,443 | -- | -- |
| Subtotal | 1,420,186 | \$8,987,974 | 30.5% | \$9,167,734 | 30.5% | \$153,306,294 | \$1,803,015,744 | 11.76 |
| 33 Tehama (41 Tehama Street) | | | | | | | | |
| Rental Residential | 236,375 | \$1,474,063 | 5.0% | \$1,503,544 | 5.0% | \$25,142,825 | -- | -- |
| Retail | 788 | 3,235 | 0.0 | 3,300 | 0.0 | 55,185 | -- | -- |
| Subtotal | 237,163 | \$1,477,298 | 5.0% | \$1,506,844 | 5.0% | \$25,198,010 | \$291,345,956 | 11.56 |
| 181 Fremont (181 Fremont Street) | | | | | | | | |
| For Sale Residential | 121,328 | \$1,152,938 | 3.9% | \$1,175,997 | 3.9% | \$19,665,465 | \$323,233,428 | 16.44 |
| Retail/Office | 436,332 | 2,760,138 | 9.4 | 2,815,341 | 9.4 | 47,079,194 | 494,911,493 | 10.51 |
| Subtotal | 557,660 | \$3,913,077 | 13.3% | \$3,991,338 | 13.3% | \$66,744,659 | \$818,144,921 | 12.26 |
| Park Tower (Block 5) (250 Howard Street) | | | | | | | | |
| Office | 755,914 | \$4,667,084 | 15.8% | \$4,760,426 | 15.8% | \$79,605,628 | -- | -- |
| Retail | 8,745 | 36,609 | 0.1 | 37,341 | 0.1 | 624,433 | -- | -- |
| Subtotal | 764,659 | \$4,703,693 | 16.0% | \$4,797,767 | 16.0% | \$80,230,061 | \$1,012,003,901 | 12.61 |
| The Avery (Block 8) (250 Fremont Street) | | | | | | | | |
| For Sale Residential | 210,102 | \$2,035,675 | 6.9% | \$2,076,388 | 6.9% | \$34,722,145 | \$514,417,357 | 14.82 |
| Rental Residential/Retail | 208,998 | 1,342,546 | 4.6 | 1,369,396 | 4.6 | 22,899,563 | 117,355,671 | 5.12 |
| Subtotal | 419,100 | \$3,378,220 | 11.5% | \$3,445,785 | 11.5% | \$57,621,708 | \$631,773,028 | 10.96 |
| 500 Folsom (Block 9) (500 Folsom Street) | | | | | | | | |
| Rental Residential | 316,671 | \$2,091,254 | 7.1% | \$2,133,079 | 7.1% | \$35,670,156 | -- | -- |
| Retail | 5,678 | 24,236 | 0.1 | 24,720 | 0.1 | 413,385 | -- | -- |
| Subtotal | 322,349 | \$2,115,490 | 7.2% | \$2,157,800 | 7.2% | \$36,083,541 | \$246,518,950 | 6.83 |
| Mira (Block 1) (160 Folsom Street) | | | | | | | | |
| For Sale Residential | 301,097 | \$2,829,033 | 9.6% | \$2,885,614 | 9.6% | \$48,254,317 | -- | -- |
| Retail | 10,201 | 43,542 | 0.1 | 44,412 | 0.1 | 742,680 | -- | -- |
| Subtotal | 311,298 | \$2,872,575 | 9.7% | \$2,930,026 | 9.7% | \$48,996,997 | \$303,527,626 | 6.19 |
| Total | 4,380,556 | \$ 29,480,283 | 100.0% | \$30,069,889 | 100.0% | \$502,840,000 | \$5,834,249,334 | 11.60 |

Source: San Francisco Assessor's Office; San Francisco Planning Department; OCII; Special Tax Consultant.
Footnotes on next page.

Footnotes for Table 2.

(1) Represents the lien of \$203,705,000 in 2017 Bonds, \$187,315,000 for the 2019 Bonds, \$81,820,000 for the 2020B Bonds and \$[PAR AMOUNT]* for the 2021B Bonds allocated based on the proportionate share of the estimated fiscal year 2022-23 Special Tax levy.

(2) The special tax for 350 Mission Street is calculated based solely on the square footage of three floors, which constitutes a Conditioned Project under the Rate and Method. But the fact that the Special Tax is calculated based on just the square footage on those three floors does not limit foreclosure remedies otherwise available on the entire building.

Historical Assessed Value

The following table summarizes the historical assessed value for the Taxable Buildings.

Table 3
Community Facilities District No. 2014-1
(Transbay Transit Center)
Historical Assessed Value for Taxable Buildings

| Fiscal Year | Taxable Buildings | Taxable Parcels | Land Value | Improvement Value | Other Value | Total Value | Percent Change |
|--------------------|--------------------------|------------------------|-------------------|--------------------------|--------------------|--------------------|-----------------------|
| 2016-17 | 2 | 2 | \$ 79,357,624 | \$ 131,453,860 | \$22,421 | \$ 210,833,905 | - |
| 2017-18 | 2 | 2 | 80,944,775 | 447,657,073 | 20,225 | 528,622,073 | 151% |
| 2018-19 | 5 | 72 | 419,801,300 | 2,345,359,906 | 12,644 | 2,765,173,850 | 423 |
| 2019-20 | 7 | 202 | 758,957,509 | 3,594,787,973 | 14,517 | 4,353,759,999 | 57 |
| 2020-21 | 9 | 212 | 893,845,094 | 4,528,487,940 | 7,445,070 | 5,429,778,104 | 25 |
| 2021-22 | 9 | 451 | 914,231,924 | 4,912,487,999 | 7,529,411 | 5,834,249,334 | 7 |

Source: San Francisco Assessor’s Office; Special Tax Consultant.

The assessed value data in the foregoing table is the latest available, but reflects certain dates and periods before the economic impact of the COVID-19 pandemic and measures instituted to slow it. See “SPECIAL RISK FACTORS – Public Health Emergencies” herein and APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments” attached hereto. A downturn of the economy or other market factors may depress assessed values in the future. At this time it is not possible to predict whether property values in the District may be impacted by property declines or reassessments. See, however, “SPECIAL RISK FACTORS – Value to Lien Ratios” herein.

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* Preliminary, subject to change.

Fiscal Year 2021-22 Special Tax Levy by Land Use Category

The following table sets forth the estimated Fiscal Year 2021-22 Special Tax levy by land use category.

**Table 4
Community Facilities District No. 2014-1
(Transbay Transit Center)
Estimated Fiscal Year 2021-22 Special Tax Levy by Land Use Category**

| <u>Land Use Category</u> | <u>Taxable Square Feet</u> | <u>Estimated FY 2021-22 Special Tax Levy</u> | <u>Percent of FY 2021-22 Special Tax Levy</u> |
|--------------------------|------------------------------------|--|---|
| <u>Residential</u> | | | |
| For Sale Residential | 632,527 | \$6,017,646 | 20.4% |
| Rental Residential | <u>1,033,993</u> | <u>6,565,061</u> | <u>22.3</u> |
| Subtotal | 1,666,520 | \$12,582,707 | 42.7% |
| <u>Commercial</u> | | | |
| Retail | 63,411 | \$ 263,196 | 0.9% |
| Office | 2,650,625 | 16,634,380 | 56.4 |
| Hotel | - | - | - |
| Subtotal | <u>2,714,036</u> | <u>\$16,897,576</u> | <u>57.3%</u> |
| Total | 4,380,556 | \$29,480,283 | 100.0% |

Source: San Francisco Planning Department; OCII; Special Tax Consultant.

Conditioned Projects

The following table sets forth the current Conditioned Projects in various stages of planning and development which are not yet Taxable Buildings. From time to time, additional properties in the District or Future Annexation Area may become Conditioned Projects because they receive zoning bonuses to exceed certain height limits and floor-to-area ratios established pursuant to the City’s Planning Code. **No assurance can be provided that any particular property will be annexed into the District or become a Conditioned Project or become a Taxable Building subject to Special Taxes. Any particular property may not be developed.**

[Remainder of page intentionally left blank.]

Table 5
Community Facilities District No. 2014-1
(Transbay Transit Center)
Conditioned Projects⁽¹⁾

| Projects ⁽²⁾ | Street Address | Office (sq. ft.) | Retail (sq. ft.) | Hotel (sq. ft.) | Residential (sq. ft.) | Residential (type) | Building Stories |
|--|------------------------------------|---------------------|---------------------|--------------------|--------------------------|-----------------------|---------------------|
| Conditioned Projects Under Construction Within the District | | | | | | | |
| 75 Howard | 75 Howard Street | - | 5,800 | - | 265,288 | For sale | 20 |
| Subtotal | | - | 5,800 | - | 265,288 | | |
| Conditioned Projects Not Yet Under Construction Within the District | | | | | | | |
| Parcel F ⁽³⁾ | 550 Howard Street | 275,674 | 8,900 | 247,765 | 433,556 | For sale | 61 |
| Block 4 ⁽³⁾ | 200 Main Street | | | | | - | 47 |
| - Rental portion | | - | 8,051 | - | 165,537 | Rental | |
| - For sale | | - | - | - | 186,002 | For sale | |
| Subtotal | | 275,674 | 16,951 | 247,765 | 785,095 | | |
| Conditioned Projects to be Annexed into the District | | | | | | | |
| 555 Howard ⁽⁵⁾ | 555 Howard Street | - | - | 372,042 | - | - | 35 |
| [Oceanwide Center] ⁽⁴⁾ | 50 First Street/526 Mission Street | 1,006,606 | 1,141 | 245,895 | 771,704 | For sale | 52/63 |
| 95 Hawthorne ⁽⁴⁾ | 95 Hawthorne | - | 3,500 | - | 476,254 | Rental | 42 |
| Subtotal | | 1,006,606 | 4,641 | 617,937 | 1,247,958 | | |
| Total | | 1,282,280 | 27,392 | 865,702 | 2,298,341 | | |

Source: San Francisco Planning Department; OCII; Special Tax Consultant.

⁽¹⁾ **Conditioned Projects listed on this Table are currently not Taxable Buildings. All projects include preliminary estimates and are subject to change until project completion.** Projects do not include square footage of below market rate units or affordable housing projects, which are not subject to the Special Tax under the Rate and Method.

⁽²⁾ A “Conditioned Project” means a Development Project that, pursuant to Section 424 of the Planning Code, is required to participate in funding authorized facilities through the District and, therefore, is subject to the levy of the Special Tax when Buildings (or portions thereof) within the District become Taxable Buildings.

⁽³⁾ Project is not yet entitled.

⁽⁴⁾ Projects are entitled.

⁽⁵⁾ Project is entitled; however, the project sponsor has submitted applications for a revised project which eliminates all residential dwelling units in lieu of additional hotel rooms.

Conditioned Project Under Construction Within the District

[In development.] One Conditioned Project in the District, under construction at 75 Howard Street, may receive a Certificate of Occupancy and Tax Commencement Authorization this calendar year, as described in following table below. The building is planned as a 20-story building that contains [___ for-sale market rate condominium units (subject to the Special Tax) [and ___ for-sale affordable condominium units], with about ____ square feet of ground-floor retail space]. The project is being developed by ____.

The City provides no assurance, however, that any such development will ever be completed as expected. Also, the expectations reflected in the following table were as of dates before the economic impact of the COVID-19 pandemic and measures instituted to slow it. See “SPECIAL RISK FACTORS – Public Health Emergencies” herein and APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments” attached hereto.

**Table 6
Community Facilities District No. 2014-1
(Transbay Transit Center)
Conditioned Project Under Construction within the District – Not Currently Taxable Buildings**

| <u>Project Address</u> | <u>Planned Development (Square Feet)</u> | <u>Estimated Certificate of Occupancy Date</u> ⁽¹⁾ | <u>Estimated First Fiscal Year of Special Tax Levy</u> | <u>Estimated First Fiscal Year Maximum Special Tax</u> | <u>Fiscal Year 2021-22 Assessed Value</u> ⁽²⁾ |
|------------------------|--|---|--|--|--|
| 75 Howard Street | 271,088 | 3 rd Quarter 2021 | FY 2022-23 | \$1,926,154 | \$353,466,481 |

Source: San Francisco Planning Department; San Francisco Assessor’s Office; OCII; Special Tax Consultant.

⁽¹⁾ See definition of Certificate of Occupancy under the caption “SECURITY FOR THE BONDS - Rate and Method of Apportionment of Special Taxes” herein.

⁽²⁾ Values reflect in-process construction values as of the January 1, 2021 lien date.

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Estimated Effective Tax Rate

The following table sets forth an illustrative of a tax bill for sale residential property in the District.

Table 7
Community Facilities District No. 2014-1
(Transbay Transit Center)
Fiscal Year 2020-21 - For Sale Residential Property Illustrative Tax Bill

| <u>Assumptions</u> | | <u>181 Fremont</u> ⁽¹⁾ | <u>The Avery</u> ⁽²⁾ |
|---|----------------|-----------------------------------|---------------------------------|
| Estimated Assessed Value | | \$6,065,026 | \$3,711,914 |
| Homeowners Exemption | | <u>(\$7,000)</u> | <u>(\$7,000)</u> |
| Net Assessed Value | | \$6,058,026 | \$3,704,914 |
| <u>Ad Valorem Tax Rate</u> ⁽³⁾ | | | |
| Base Tax Rate | 1.0000% | \$60,580 | \$37,049 |
| Other Ad Valorem Property Taxes | <u>0.1985%</u> | <u>12,023</u> | <u>7,353</u> |
| Total Ad Valorem Taxes | 1.1985% | \$72,603 | \$44,402 |
| <u>Direct Charges</u> | | | |
| GTR Rincon Hill CBD | | \$ 288 | \$ 169 |
| LWEA 2018 Tax | | 320 | 320 |
| SF Bay RS Parcel Tax | | 12 | 12 |
| SFUSD Facility District | | 39 | 39 |
| SFCCD Parcel Tax | | 99 | 99 |
| SF - Teacher Support | | 270 | 270 |
| Transbay CFD No. 2014-1 ⁽⁴⁾ | | <u>19,298</u> | <u>17,818</u> |
| Total Direct Charges | | \$20,326 | \$18,727 |
| Total Taxes and Direct Charges | | \$92,929 | \$63,129 |
| Percentage of Net Assessed Value | | 1.53% | 1.70% |

Source: San Francisco Treasurer and Tax Collector's Office; San Francisco Assessor's Office; Special Tax Consultant.

⁽¹⁾ Represents the average sales price of the 30 residential condominiums that have been purchased by individual homeowners as of April 1, 2021.

⁽²⁾ Represents the average sales price of the 29 residential condominiums that have been purchased by individual homeowners as of April 1, 2021.

⁽³⁾ Based on the fiscal year 2020-21 ad valorem tax rates. Ad valorem tax rates are subject to change in future years.

⁽⁴⁾ The fiscal year 2020-21 maximum Special Tax rates are based on the average square footage of the condominiums that have been purchased by individual homeowners as of April 1, 2021.

[Remainder of page intentionally left blank.]

Direct and Overlapping Debt

The following table details the direct and overlapping debt encumbering property within the District as of [_____] 1, 2021.

Table 8
Community Facilities District No. 2014-1
(Transbay Transit Center)
Direct and Overlapping Debt

[To come]

Source: California Municipal Statistics.

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the 2021B Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the City to make full and punctual payments of debt service on the 2021B Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

Risks of Real Estate Secured Investments Generally

Generally. The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the District, the supply of or demand for competitive properties in such area, and the market value of properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies, (iii) natural disasters (including, without limitation, earthquakes, subsidence and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction, and (iv) the impacts of a public health emergency, such as the COVID-19 pandemic, on construction and sales activity, the national and regional economy and financial circumstances of property owners in the District. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due, and could induce or exacerbate the risks described in “SPECIAL RISK FACTORS - Value to Lien Ratios,” “- Collection of Special Taxes,” “- Maximum Special Tax Rates,” “- Tax Delinquencies,” “- Maximum Term of Levy,” and “- Bankruptcy and Foreclosure.”

Concentration of Property Ownership. Failure of any significant owner of Taxable Buildings (Subject Properties) in the District to pay the annual Special Taxes when due could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of the property upon a foreclosure or otherwise or prior to delinquency redemption after a foreclosure sale, if any. In that event, there could be a default in payments of the principal of and interest on the 2021B Bonds. Further development of property in the District may not occur as currently proposed or at all. See “THE DISTRICT” herein for information regarding property ownership and the status of development in the District.

The Special Taxes are not a personal obligation of the owners of the Taxable Building on which such Special Taxes are levied, and no assurances can be given that the holder of the Taxable Building will be financially able to pay the Special Taxes levied on such Taxable Building or that they will choose to pay even if financially able to do so.

Office Development Annual Limit Program. The Office Development Annual Limit Program (the “Annual Limit Program”) of the City became effective in 1985 with the adoption of the Downtown Plan and associated amendments (Proposition M in 1986 and Proposition C in 1987) to the City’s Planning Code. As amended over time, the Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. Such projects require an “office space allocation” from the City’s Planning Commission. The significance of the Annual Limit Program to the District is that it may delay or limit the development of properties without current entitlements for office

uses in the District or Future Annexation Area or annexation of additional properties into the District. See “– Concentration of Property Ownership.”

The central provision of the Annual Limit Program is a “metering limit” designed to restrict the amount of office space authorized in a given year. No office project subject to the metering limit can be entitled without receiving an allocation under the Annual Limit Program. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical “boom and bust” cycles, among other goals. A total of 950,000 gross square feet (“gsf”) of office development potential becomes available for allocation in each approval period, which begins on October 17th of every year. Of the total new available space, 75,000 gsf is reserved for small allocation projects (projects with between 25,000 and 49,999 gsf of office space), and the remaining 875,000 gsf is available for large allocation projects (projects with at least 50,000 gsf of office space). Following the ratification of Proposition E on March 3, 2020, new large project office allocation is generally now tied to affordable housing production, which may further curtail future office supply. Any available office space not allocated in a given year is carried over to subsequent years. The status of available allocation under the Annual Limit Program is set forth on the Office Development Annual Limit Program website at <https://sf-planning.org/office-development-annual-limitation-program>.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of a new disease (“COVID-19”) caused by a strain of novel coronavirus, an upper respiratory tract illness which has since spread across the globe. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

Beginning in early 2020, to mitigate the public health impacts from COVID-19, all counties in the Bay Area (including the City) implemented and revised, from time to time, shelter-in-place (“Shelter-in-Place”) emergency orders, which directed individuals to stay home, except for limited travel for the conduct of essential services. The outbreak resulted in the imposition of restrictions on mass gatherings, universities and schools. Many retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed or restricted in response to the Shelter-in-Place orders.

The Governor of the State announced similar Shelter-in-Place emergency orders effective for the entire State. On August 28, 2020, the State adopted a color coded, four-tiered framework to guide restrictions and reopening statewide, depending on improvements or declines in public health indicators. For a time, the State imposed additional restrictions based on hospital intensive care unit capacity.

The spread of COVID-19 and the public health responses by government authorities contributed to negative economic impacts throughout the world, including the City. On June 8, 2020, the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020.

Beginning on December 15, 2020, the City began administering vaccines targeting COVID-19. As of June 28, 2021, more than 81% of San Francisco’s population age 12 and older has received the first dose of vaccine and 74% have completed a vaccine series.

In response to improving public health indicators, the City began to incrementally ease restrictions beginning in January 2021. On June 15, 2021, the State generally eliminated the four-tier classification system, with the aim of bringing the State back to pre-pandemic operations. Effective on that date, the San Francisco Health Officer issued an order lifting local capacity limits on business and

other sectors, local physical distancing requirements, and many other previous health and safety restrictions.

While public health conditions related to COVID-19 have improved substantially in recent months, there can be no assurances against a resurgence of the disease and imposition of similar or more restrictive public health restrictions in response. Variants of the coronavirus responsible for COVID-19 could lead to greater disease rates. The longer-term effectiveness of vaccines is yet unproven, and future vaccination rates cannot be predicted with certainty. Thus, the duration, severity and economic effects of the pandemic remain uncertain in many respects.

The impact of COVID-19 and public health orders is likely to evolve over time, which could adversely impact the development within the District as a whole, including, but not limited to, one or more of the following ways: (i) potential supply chain slowdowns or shutdowns resulting from the unavailability of workers in locations producing construction materials; (ii) slowdowns or shutdowns by local governmental agencies in providing governmental permits, inspections, title and document recordation, and other services and activities associated with real estate development; (iii) delays in construction; (iv) extreme fluctuations in financial markets and contraction in available liquidity; (v) extensive job losses and declines in business activity across important sectors of the economy; (vi) declines in business and consumer confidence that negatively impact economic conditions or cause an economic recession, (vii) reduced demand for development projects; (viii) delinquencies in payment of Special Taxes and (ix) the failure of government measures to stabilize the financial sector and introduce fiscal stimulus sufficient to counteract the economic impact of the pandemic.

The COVID-19 outbreak is ongoing, and its duration and severity and economic effects are uncertain in many respects. Also uncertain are the additional actions that may be taken by governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the operations and finances of the City and the District is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Recent Developments.” Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the operations and finances of the City and the District.

The 2021B Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor under the Fiscal Agent Agreement. Information in this section about the potential impact of COVID-19 on the City’s finances does not suggest that the City has an obligation to pay debt service on the 2021B Bonds from any other sources of funds. See “SECURITY FOR THE BONDS – Limited Obligation” herein.

Value to Lien Ratios; Future Indebtedness; Parity Liens

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property as measured by assessed values or appraised values (in this case, Fiscal Year 2020-21 assessed values) and the denominator of which is the “lien” of governmental bonds payable from the assessment or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Property values are sensitive to economic cycles. Assessed or appraised values may not reflect the current market value of property. A downturn of the economy or other market factors may depress property values and lower the value-to-lien ratios. Further, the value-to-lien ratio of individual parcels in a district may vary widely. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel

with delinquent Special Taxes be foreclosed upon and sold, any bid would be received for such property or, if a bid were received, that such bid would be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts. Local agencies typically do not coordinate their bond issuances.

Additional debt issued for the District and debt issuance by another entity could dilute value-to-lien ratios and reduce the ability or willingness of property owners in the District to pay their Special Taxes when due. The cost of any additional improvements may well increase the public and private debt for which the land in the District provides security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the property in the District. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements may have a lien on a parity with the lien of the Special Taxes. The City is authorized to issue on behalf of the District bonded indebtedness, including the 2021B Bonds, in an aggregate amount not to exceed \$1.4 billion. See “THE DISTRICT – Future Financings” herein.

The City has no control over the ability of other agencies to issue indebtedness secured by other special taxes or assessments payable from all or a portion of the property within the District.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are levied on Taxable Buildings (Subject Properties) within the District that were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make installment payments of Special Taxes in the future. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Maximum Special Tax Rates

Within the limits of the Rate and Method, in the event of Special Tax delinquencies by one or more Taxable Properties, the City may adjust the Special Taxes levied on all non-delinquent Taxable Properties within the District to provide the amount required each year to pay annual debt service on the Bonds and to replenish the Reserve Fund to an amount equal to the Reserve Requirement; however, (1) any such increase on Taxable Properties used for private residential purposes is limited to 10% above the amount that would have been levied in that Fiscal Year had there never been any delinquencies or defaults and (2) the amount of Special Taxes that may be levied against Taxable Properties is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for non-delinquent Taxable Properties in the District would be sufficient to meet debt service obligations on the Bonds. See “SECURITY FOR

THE BONDS – The Special Taxes” herein and APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto.

Maximum Term of Levy

The Bonds are secured by Special Tax Revenues from all parcels subject to the Special Tax in the District. Upon delivery of the 2021B Bonds, Special Taxes will be levied only on parcels relating to the existing Taxable Buildings (Subject Properties) described herein. Special Taxes may only be levied on taxable square footage on an individual parcel for a maximum term of 30 years. The levy on most of the Taxable Buildings (Subject Properties) will terminate before the final maturity of the 2021B Bonds. Unless additional parcels are annexed into the District (or a Certificate of Occupancy and Tax Commencement Authorization are issued for additional parcels already within the boundaries of the District) before the maximum term of the applicable levy is reached, payments due on the Bonds in 2047 through 2050 will be secured only by Special Taxes levied on a declining number of Taxable Buildings (Subject Properties) described herein. The 2021B Bonds have been structured to maintain projected coverage of at least 110% from projected Maximum Special Tax Revenue on the Taxable Buildings (Subject Properties), taking into account the termination of the levy on certain parcels within the District.

Insufficiency of Special Taxes; Exempt Property

Under the Rate and Method, the annual amount of Special Tax to be levied on each Taxable Parcel in the District will be based primarily on the square footage. See APPENDIX B – “AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX” attached hereto and “SECURITY FOR THE BONDS – Rate and Method of Apportionment of Special Taxes” herein. The Act provides that, if any property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. However, the constitutionality and operation of these provisions of the Act have not been tested in the courts. *Moreover, if a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2021B Bonds when due and a default could occur with respect to the payment of such principal and interest.*

Collection of Special Taxes; Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2021B Bonds are derived, will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable consistent with, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein, for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

The District is currently included on the Teeter Plan. However, as described above, the District could be removed from the Teeter Plan. The City has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings under certain conditions against property with delinquent Special Taxes to obtain funds to pay debt service on the 2021B Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. If such foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the 2021B Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale would be sold or, if sold, that the proceeds of such sale would be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the City to cause such an action to be commenced and diligently pursued to completion, the City is not required to purchase or otherwise acquire any lot or parcel of property offered at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure” herein.

Teeter Plan

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan by a majority vote of the Board of Supervisors. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2021B Bonds. The City has the power to include additional taxing agencies on the Teeter Plan. See “SECURITY FOR THE BONDS – Teeter Plan” herein.

Disclosure to Future Property Owners

Pursuant to Section 53328.3 of the Act, the City has recorded a Notice of Special Tax Lien. The sellers of real property subject to the Special Tax within the District are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller’s notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property or the lending of money thereon. Failure to disclose the existence of the Special Taxes could affect the willingness and ability of future owners of land within the District to pay the Special Taxes when due.

Potential Early Redemption of Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See “THE 2021B BONDS – Redemption – *Mandatory Redemption from Special Tax Prepayments*” herein.

Seismic Risks

General. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area. Seismic events may cause damage, or temporary or permanent loss of occupancy to buildings, including Taxable Buildings (Subject Properties), in the District, as well as to transportation infrastructure that serves the District. These faults include the San Andreas Fault, which passes within about three miles of the City’s border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma

Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled *The HayWired Earthquake Scenario*, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to Taxable Buildings (Subject Properties), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, infrastructure and residential and business real property values, including in the District.

Earthquake Safety Implementation Plan (“ESIP”). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (“CAPSS”), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. The deadline was extended from the original deadline of September 2020 in light of the COVID-19 pandemic. As of July 6, 2021, approximately 88% of the buildings have been brought into compliance (the percent of buildings in compliance may decline after the September 2021 deadline due to the timing of completion of improvements). Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City and County of San Francisco (the “Port Commission”) commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The study estimates that approximately \$1.6 billion in Port assets and \$2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See “– Risk of Sea Level Changes and Flooding” below.

In November 2018, voters approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds to fund repairs and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and the San Francisco Municipal Railway, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. In June 2020, the City issued \$46 million

to support the planning and preliminary design phases of the Seawall program. The City expects short-term upgrades to cost over \$500 million and long-term upgrades to cost more than \$5 billion.

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

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this statewide program. The City’s Disaster Recovery Taskforce had its kick-off meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. In consultation with the Structural Engineers Association of Northern California (“SEAONC”), Administrative Bulletin AB-111 – “Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings” was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

Risk of Tsunami. The California Geological Survey (“CGS”), in concert with the California Emergency Management Agency and the Tsunami Research Center at the University of Southern California, produced new statewide tsunami hazard zone maps in July 2021. CGS has identified much of the District as being located in the San Francisco tsunami hazard zone, with the remainder of the District being near the hazard zone. The properties inside the hazard zone are Salesforce East (350 Mission Street), Park Tower (Block 5) (250 Howard Street), 181 Fremont (181 Fremont Street), 75 Howard (75 Howard Street), Block 4 (200 Main Street) and Mira (Block 1) (160 Folsom Street). A portion of the Salesforce Transit Center is also inside the hazard zone.

Climate Change; Risk of Sea Level Rise and Flooding Damage

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

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 (“NCA4”), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and

damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

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

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over \$5 million consider mitigation and/or adaptation measures.

In March 2020, a consortium of State and local agencies, led by the Bay Area Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that

without a far-sighted, nine county response, the region's economic and transportation systems could be undermined along with the environment. Runways at SFO could largely be under water.

The City has already incorporated site specific adaptation plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from seismic risks and sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and development of other financing options. See " – Seismic Risks - Vulnerability Study of the Northern Waterfront Seawall" above. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to \$425 million in general obligation bonds for repair and improvement projects on the Seawall. In June 2020, the City issued \$46 million to support the planning and preliminary design phases of the Seawall Program. The City expects short-term upgrades to cost over \$500 million and long-term upgrades to cost more than \$5 billion.

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

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

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

The District may be particularly susceptible to the impacts of sea level rise or other impacts of climate change or flooding because of its location near the waterfront of the City. The City is unable to predict whether sea level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City, the local economy or, in particular, the Taxable Buildings (Subject Properties) in the District that are subject to the Special Tax and the ability of a property owner in the District to pay the Special Tax levy.

Other Natural Disasters and Other Events

In addition to earthquake and sea-level rise (discussed above), other natural or man-made disasters, such as flood, wildfire, tsunamis, toxic dumping, civil unrest or acts of terrorism, could also adversely impact persons and property within the City generally and/or specifically in the District and adversely impact the City's ability to provide municipal services. Such events could also damage City infrastructure and facilities in the District. For example, in September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting numerous deaths and over \$16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 and 2020, parts of the City experienced several black out days as a result of PG&E's wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

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

In addition, economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets.

As a result of the occurrence of events like those described above, a substantial portion of the property owners in the District may be unable or unwilling to pay the Special Taxes when due, and the Reserve Fund for the outstanding Parity Bonds and the 2021B Bonds may become depleted.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within the District is the discovery of a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but other California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the District be affected by a hazardous substance, would be to reduce the marketability and value of such parcel by the costs of remedying the condition. Any prospective purchaser would become obligated to remedy the condition.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a delinquency.

Millennium Tower

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. The tower is near the Salesforce Transit Center. Some owners of condominiums in Millennium Tower filed lawsuits against TJPA, the City and others. The lawsuits alleged that the construction of the Salesforce Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest. The owners claim unspecified monetary damages.

The City recently finalized a global settlement of litigation arising out of alleged defects in the Millennium Tower. As a result of the global settlement, the City has been dismissed from all cases to which it was a party that were filed as a result of the alleged sinking and tilting of the tower. The purpose of the global settlement is to resolve all claims arising out of these alleged defects.

Millennium Tower is not located in the District, nor is it subject to the levy of the Special Tax and none of the information presented in this Official Statement assumes collection of Special Taxes from the Millennium Tower project. The relevance of the lawsuits described above to the 2021B Bonds is that they relate to conditions at a private development project near the District, and if those conditions were replicated at Taxable Parcels, it could adversely impact the ability or willingness of property owners of such affected buildings to pay Special Taxes. The City is not aware of any such condition affecting the Taxable Buildings (Subject Properties) within the District.

Bankruptcy and Foreclosure

The payment of property owners’ taxes and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court

Foreclosure” herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the 2021B Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various legal instruments, by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the 2021B Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. *No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy.*

Property Controlled by FDIC and Other Federal Agencies

The City’s ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agency has or obtains an interest.

Unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“FNMA”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States. The City has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the District, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B Bonds are outstanding.

On June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as

promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non *ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not *ad valorem* taxes and therefore not payable by the FDIC, and the FDIC is seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Act that the federal government is exempt from special taxes.

The City is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2021B Bonds should assume that the City will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2021B Bonds. The City has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels that are subject to the Special Tax, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2021B Bonds are outstanding.

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the City to levy and collect within the District both existing and future taxes, assessments, fees and charges. According to the "Official Title and Summary" of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the "authority of local governments to impose taxes and property-related assessments, fees and charges." On July 1, 1997, California State Senate Bill 919 ("SB 919") was signed into law. SB 919 enacted the "Proposition 218 Omnibus Implementation Act," which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the City within the District under the Act must be conducted in conformity with the provisions of Section 4 of Article XIII A. The City has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIII A. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a special tax (including any constitutional challenge) must be commenced within 30 days after the special tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board of Supervisors, as the legislative body of the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the 2021B Bonds.

It may be possible, however, for voters or the Board of Supervisors, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2021B Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2021B Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218's balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

Validity of Landowner Elections

On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the "Court"), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the "CCFD") established by the City of San Diego. The CCFD is a financing district established under San Diego's charter and was intended to function much like a community facilities district established under the provisions of the Act. The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located, thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied and was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Act provides that if there are fewer than 12 registered voters in the district, the landowners shall vote.

The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district”) and Proposition 218, which added Article XIII C and XIII D to the California Constitution (Section 2 of Article XIII C provides “No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote”), or with applicable provisions of San Diego’s Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that the tax was invalid because the registered voters of San Diego did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (i.e., all of the registered voters in the city of San Diego).

In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the Special Tax within the District. In addition, each owner of property that annexed into the District after original District formation has represented to the City that there were no registered voters on such property at the time of annexation.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act or the levy of special taxes authorized pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. Voters approved the special tax and the issuance of bonds for the District pursuant to the requirements of the Act on December 29, 2016, and owners of property that annexed into the District voted in favor of special taxes and the issuance of Bonds for the District at the time of annexation more than 30 days prior to the date of issuance of the 2021B Bonds. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

Ballot Initiatives and Legislative Measures

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process; and the State Legislature has in the past enacted legislation

which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the District or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property.

No Acceleration

The 2021B Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the 2021B Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the 2021B Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the District. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT” attached hereto.

Limitations on Remedies

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the 2021B Bonds. Co-Bond Counsel has limited its opinion as to the enforceability of the 2021B Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the 2021B Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the City on behalf of the District, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s 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 applicable limitations on remedies against public agencies in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure” herein.

Limited Secondary Market

As stated herein, investment in the 2021B Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand and appreciate the risk of such investments should consider investment in the 2021B Bonds. There can be no guarantee that there will be a secondary market for purchase or sale of the 2021B Bonds or, if a secondary market exists, that the 2021B Bonds can or could be sold for any particular price.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but

not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, “Systems Technology”). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City’s Systems Technology and required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Municipal Transportation Agency (“SFMTA”) was subject to a ransomware attack which disrupted some of the SFMTA’s internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

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

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

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the 2021B Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) on an annual basis, and to provide notices of the occurrences of certain enumerated events. The Annual Report and the notices of enumerated events will be filed with the MSRB on EMMA. The specific nature of information to be contained in the Annual Report or the notice of events is summarized in APPENDIX E – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. These covenants have been made by the City in order to assist the Underwriters in complying with the Rule.

The City has conducted a review of the compliance of the City, with their respective previous continuing disclosure undertakings pursuant to Rule 15c2-12.

On March 6, 2018, Moody’s Investors Service, Inc. (“Moody’s”) upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to “Aa1” from “Aa2.” The City

timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City's 2016-17 audited financial statements ("2016-17 Audited Financial Statements") on the City's website. However, the 2016-17 Audited Financial Statements were not posted on EMMA. The City subsequently filed the 2016-17 Audited Financial Statements and a notice of such late filing on EMMA.

As of May 6, 2021, the City was a party to certain continuing disclosure undertakings relating to municipal securities which require the City to file notice filings on EMMA within ten days in the event of the incurrence of financial obligations and certain other events, if material. On May 6, 2021, the City extended for two years certain liquidity facilities relating to series 1 and 1-T and series 2 and 2-T of its commercial paper program. On July 1, 2021, the City filed on EMMA an event notice relating to these extensions.

TAX MATTERS

The interest on the 2021B Bonds is not intended by the District to be excluded from gross income for federal income tax purposes. However, in the opinion of Co-Bond Counsel, interest on the 2021B Bonds is exempt from California personal income taxes. The proposed form of opinion of Co-Bond Counsel with respect to the 2021B Bonds to be delivered on the date of issuance of the 2021B Bonds is set forth in APPENDIX D – "FORM OF CO-BOND COUNSEL OPINION" attached hereto.

Owners of the 2021B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2021B Bonds may have federal or state tax consequences other than as described above. Co-Bond Counsel express no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2021B Bonds.

UNDERWRITING

Stifel Nicolaus & Company, Incorporated and Piper Sandler & Co. (together, the "Underwriters") purchased the 2021B Bonds at a purchase price of \$_____ (calculated as the aggregate principal amount of the 2021B Bonds in the amount of \$_____, less underwriters' discount in the amount of \$_____). The Underwriters intend to offer the 2021B Bonds to the public initially at the prices set forth on the inside cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters have provided the following two paragraphs for inclusion in this Official Statement.

The Underwriters reserve the right to join with dealers and other underwriters in offering the 2021B Bonds to the public. The Underwriters may offer and sell the 2021B Bonds to certain dealers (including dealers depositing 2021B Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriters and their affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and

provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

LEGAL OPINION AND OTHER LEGAL MATTERS

General. The legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, and Amira Jackmon, Attorney at Law, as Co-Bond Counsel, approving the validity of the 2021B Bonds, in substantially the form set forth in Appendix D hereto, will be made available to purchasers of the 2021B Bonds at the time of original delivery. Co-Bond Counsel have not undertaken on behalf of the Owners or the Beneficial Owners of the 2021B Bonds to review the Official Statement and assume no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the City by the City Attorney, and by Norton Rose Fulbright US LLP, Los Angeles, California, Disclosure Counsel, with respect to the issuance of the 2021B Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

Compensation paid to Co-Bond Counsel, Disclosure Counsel, and Underwriter[s'] Counsel, is contingent on the issuance of the 2021B Bonds.

Disclosure Letter. Norton Rose Fulbright US LLP, Los Angeles, California has served as Disclosure Counsel to the City, acting on behalf of the District, and in such capacity has advised City staff 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. The City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon issuance and delivery of the 2021B Bonds, Disclosure Counsel will deliver a letter to the City, acting on behalf of the District, and the Underwriters to the effect that, subject to the assumptions, exclusions, qualifications and limitations set forth therein (including without limitation exclusion of any information relating to The Depository Trust Company, Cede & Co., the book-entry system, the CUSIP numbers, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included herein, and information in Appendices B and F hereof, as to all of which Disclosure Counsel will express no view), no facts have come to the attention of the personnel with Norton Rose Fulbright US LLP directly involved in rendering legal advice and assistance to the City which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2021B 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 the light of the circumstances under which they were made, not misleading. No purchaser or holder, other than the addressee of the letter, or other person or party, will be entitled to or may rely on such letter of Disclosure Counsel.

NO LITIGATION

The City and the District

A certificate of the City to the effect that no litigation is pending (for which service of process has been received) concerning the validity of the 2021B Bonds will be furnished to the Underwriters at the time of the original delivery of the 2021B Bonds. Neither the City nor the District is aware of any litigation pending or threatened which questions the existence of the District or the City or contests the authority of the City on behalf of the District to levy and collect the Special Taxes or to issue the 2021B Bonds.

Ongoing Investigations

On January 28, 2020, the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Transbay Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest. On February 4, 2020, the City Attorney and Controller announced a joint investigation that was underway, stemming from federal criminal charges filed against Mr. Nuru and Mr. Bovis.

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

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

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

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

On November 30, 2020, Harlan L. Kelly, Jr., the General Manager of the San Francisco Public Utilities Commission ("PUC"), was charged in a federal criminal complaint with one count of honest services wire fraud. The complaint alleges that Mr. Kelly engaged in a long-running bribery scheme and corrupt partnership with Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. The complaint further alleges that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. Earlier criminal charges filed against Walter Wong alleged that Mr. Wong conspired with multiple City officials, including Mr. Nuru, in a conspiracy and money laundering scheme. Mr. Wong pled guilty in July of this year and is cooperating with the ongoing federal investigation.

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

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

On March 4, 2021, the City Attorney announced an approximately \$100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to Mr. Nuru and others. As part of the Settlement, Recology will be required to lower commercial and residential rates starting April 1, 2021, and make a \$7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology is subject to approval by the Board of Supervisors. The bribery and

corruption public integrity investigation related to the Nuru matter is ongoing. On July 8, 2021 the San Francisco District Attorney announced the arrest of former Department of Public Works bureau manager Gerald “Jerry” Sanguinetti. Mr. Sanguinetti was charged with five felony counts of perjury and two misdemeanor charges arising from his failure to report income and file financial disclosure statements associated with the sale to the Public Works Department of merchandise by a company owned by his wife. The charges arise out of the continuing investigation into public corruption involving the Public Works Department. The Public Works Department investigation is ongoing.

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

RATING

Fitch Ratings has assigned the 2021B Bonds its long-term municipal bond credit rating of “[RATING].” Such rating should be evaluated independently of any other rating. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from Fitch Ratings. The rating does not constitute a recommendation to buy, sell or hold the 2021B Bonds. The City has furnished to Fitch Ratings certain information respecting the 2021B Bonds and the City. Generally, rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions.

The rating is subject to revision, suspension or withdrawal at any time by the applicable rating agency, and there is no assurance that any rating will continue for any period or that they will not be lowered or withdrawn. The City, on behalf of the District, undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any downward revision, suspension or withdrawal of any rating may have an adverse effect on the market price of the 2021B Bonds or the ability to sell the 2021B Bonds.

The City has the power to unilaterally discontinue the Teeter Plan or remove the District from the Teeter Plan. The Teeter Plan may also be discontinued by petition of two-thirds (2/3) of the participant taxing agencies. Discontinuation of the Teeter Plan could adversely affect the rating on the 2021B Bonds. See “SECURITY FOR THE BONDS – Teeter Plan” herein. **The City, on behalf of itself or the District, provides no assurance in the Fiscal Agent Agreement or otherwise that it will maintain the District on the Teeter Plan.**

MUNICIPAL ADVISOR

The City has retained Del Rio Advisors LLC, as Municipal Advisor in connection with the issuance of the 2021B Bonds. The Municipal Advisor has assisted in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2021B Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing the 2021B Bonds.

Compensation paid to the Municipal Advisor is contingent upon the successful issuance of the 2021B Bonds.

MISCELLANEOUS

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2021B Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

APPENDIX A
CITY AND COUNTY OF SAN FRANCISCO

APPENDIX B

AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

[insert Appendix C]

APPENDIX D

FORM OF CO-BOND COUNSEL OPINION

[Delivery Date]

Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

OPINION: \$[PAR AMOUNT] City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally-Taxable- Green Bonds)

Members of the Board of Supervisors:

We have acted as bond counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City, for and on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), of the captioned bonds, dated the date hereof (the “Bonds”). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 et seq. of the California Government Code (the “Act”), Resolution No. 2-15 of the Board of Supervisors of the City adopted on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented, including by Resolution No. 172-20 of the Board of Supervisors adopted on April 28, 2020 and signed by the Mayor on May 1, 2020, and by Resolution No. ____-21 adopted by the Board of Supervisors on _____, 2021 and signed by the Mayor on _____, 2021 (collectively, the “Resolution”) and a Fiscal Agent Agreement (the “Master Fiscal Agent Agreement”), dated as of November 1, 2017, by and between the City and Zions Bancorporation, National Association, as fiscal agent (the “Fiscal Agent”) as supplemented, including by a Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (the “Second Supplement”) and a Third Supplement to Fiscal Agent Agreement, dated as of November 1, 2021 (the “Third Supplement”; together with the Master Fiscal Agent Agreement, as previously supplemented, the “Fiscal Agent Agreement”). Under the Fiscal Agent Agreement, the City has pledged certain revenues (“Special Tax Revenues”) for the payment of principal, premium (if any) and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the City contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The City is a municipal corporation and chartered city and county, duly organized and existing under its charter and the laws of the State of California, with the power to adopt the Resolution, enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein, and issue the Bonds.

2. The Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and constitutes a valid and binding obligation of the City, enforceable against the City.

3. The Fiscal Agent Agreement creates a valid lien on the Special Tax Revenues and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with other bonds issued or to be issued under the Fiscal Agent Agreement.

4. The Bonds have been duly authorized and executed by the City, and are valid and binding limited obligations of the City, payable solely from the Special Tax Revenues and other funds provided therefor in the Fiscal Agent Agreement.

5. The City does not intend for the interest on the Bonds to be excluded from gross income for federal income tax purposes. We express no opinion regarding federal tax consequences arising with respect to the Bonds.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2021B Bonds. The 2021B Bonds 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 certificate will be issued for each issue of the 2021B Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings rating of AA+. 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. *Information on such website is not incorporated by reference herein.*

Purchases of 2021B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021B Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021B Bond ("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 2021B Bonds 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 the 2021B Bonds, except in the event that use of the book-entry system for the 2021B Bonds is discontinued.

To facilitate subsequent transfers, all 2021B Bonds 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 2021B Bonds 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 2021B Bonds: DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021B Bonds 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.

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 2021B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021B Bond documents. For example, Beneficial Owners of 2021B Bonds may wish to ascertain that the nominee holding the 2021B Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the 2021B Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Fiscal Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2021B Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 2014-1 (TRANSBAY TRANSIT CENTER) SPECIAL TAX BONDS, SERIES 2021B (FEDERALLY TAXABLE – GREEN BONDS)

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) with respect to the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) (the “District”) in connection with the issuance of the above-captioned (the “2021B Bonds”). The 2021B Bonds are issued pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, as supplemented by Resolution No. 247-17 and Resolution No. 419-18 adopted by the Board of Supervisors on December 4, 2018 and signed by the Mayor on December 12, 2018, and Resolution No. 172-20 adopted by the Board of Supervisors on April 28, 2020 and signed by the Mayor on May 1, 2020, and by Resolution No. ___-21 adopted by the Board of Supervisors on ____, 2021 and signed by the Mayor on ____, 2021 (collectively, the “Resolution”) and the Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019, the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020, and the Third Supplement to Fiscal Agent Agreement, dated as of ____ 1, 2021 (collectively, the “Fiscal Agent Agreement”), by and between the City and Zions Bancorporation, National Association, as fiscal agent, and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the 2021B Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

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

“Beneficial Owner” shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2021B Bonds (including persons holding 2021B Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any 2021B Bonds or to dispose of ownership of any 2021B Bonds; or (b) is treated as the owner of any 2021B Bonds for federal income tax purposes.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., 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.

“Downtown Rail Extension” shall mean the 1.3-mile rail extension (1.95 miles of total construction length) to be constructed underneath Townsend and Second Streets to connect the Caltrain commuter rail from its current terminus at Fourth and King streets to the Salesforce Transit Center, including without limitation an underground station at Fourth and Townsend streets, six structures for emergency exit, and ventilation along the alignment, utility relocation and rail systems work.

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

“Holder” shall mean either the registered owners of the 2021B Bonds, or, if the 2021B Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

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

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

“Participating Underwriter” shall mean any of the original underwriters or purchasers of the 2021B Bonds required to comply with the Rule in connection with offering of the 2021B Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Fiscal Agent Agreement.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 31, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to such date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

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

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

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

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities. The financial statements required by this subsection (a) shall be accompanied by the following statement:

THE CITY'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE 2021B BONDS, AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE 2021B BONDS.

(b) the principal amount of the 2021B Bonds outstanding as of June 30 next preceding the date of the Annual Report.

(c) the balance in the Allocated Bond Proceeds Account as of June 30 next preceding the date of the Annual Report.

(d) the balance in the Reserve Fund for the 2021B Bonds as of June 30 next preceding the date of the Annual Report.

(e) the total assessed value of all parcels subject to the Special Taxes and the current year's assessed value for the District.

(f) concerning delinquent parcels:

- number of parcels delinquent in payment of Special Tax,
- amount of total delinquency and as a percentage of total Special Tax levy, and
- status of the District's actions on covenants to pursue foreclosure proceedings upon delinquent properties.

(g) identity of any delinquent taxpayer obligated for more than 10% of the annual Special Tax levy, together with the assessed value of the applicable properties and a summary of the results of any foreclosure sales, if available.

(h) for the Fiscal Year for which the Annual Report is being issued, identify any Certificate of Occupancy or Tax Commencement Authorization that has been issued on a parcel subject to the Special Taxes.

(i) to the extent not otherwise provided pursuant to the preceding items a-h, annual information required to be filed with respect to the District since the last Annual Report with the California Debt and Investment Advisory Commission pursuant to Sections 50075.1, 50075.3, 53359.5(b), 53410(d) or 53411 of the California Government Code.

(j) updated information of the type set forth in Tables 1 and 2 in the Official Statement, dated May 7, 2020 relating to the 2021B Bonds.

(k) a statement confirming that, during the most recent fiscal year, proceeds of the 2021B Bonds in the Allocated Bond Proceeds Account were spent only on Project costs for the Downtown Rail Extension. The City shall no longer be obligated to include this statement in its Annual Report beginning with the Annual Report for the fiscal year that follows the earliest to occur of (i) the expenditure of all of the proceeds of the 2021B Bonds in the Allocated Bond Proceeds Account and (ii) completion of the Downtown Rail Extension.

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

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-10 with respect to the 2021B Bonds not later than ten business days after the occurrence of the event:

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

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

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 11-18 with respect to the 2021B Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the 2021B Bonds or other material events affecting the tax status of the 2021B Bonds;
12. Modifications to rights of 2021B Bond holders;
13. Unscheduled or contingent 2021B Bond calls;
14. Release, substitution, or sale of property securing repayment of the 2021B Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

17. Appointment of a successor or additional trustee or the change of name of a trustee; or

18. Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

(c) Within ten (10) business days after the City receives a written statement from the Climate Bonds Initiative to the effect that the 2021B Bonds are no longer certified in accordance with the “Low Carbon Land Transport Criteria” under the Climate Bonds Standard, the City will post, or cause to be posted, notice of such written statement with the MSRB.

(d) Within ten (10) business days after the District is removed from the Teeter Plan, the City will post, or cause to be posted, notice of such event with the MSRB.

(e) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(f) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(g) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2021B Bonds pursuant to the Resolution.

SECTION 6. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2021B Bonds. If such termination occurs prior to the final maturity of the 2021B Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2021B 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 2021B 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 2021B 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 2021B 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.

[Remainder of page intentionally left blank.]

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2021B Bonds, and shall create no rights in any other person or entity.

Date: _____, 2021

CITY AND COUNTY OF SAN FRANCISCO

Anna Van Degna
Director of the Office of Public Finance

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

AGREED AND ACCEPTED:

GOODWIN CONSULTING GROUP, INC., as Dissemination Agent

By: _____
Name: _____
Title: _____

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 Community Facilities District No. 2014-1
(Transbay Transit Center) Special Tax Bonds, Series 2021B (Federally Taxable –
Green Bonds)

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named 2021B Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _____, 2021. The City anticipates that the Annual Report will be filed by _____.

Dated: _____, 20__

CITY AND COUNTY OF SAN FRANCISCO

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

FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of November 1, 2017

Relating to:

**\$36,095,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017A (Federally
Taxable)**

**\$171,405,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017B
(Federally Taxable - Green Bonds)**

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EXHIBIT D: OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM
ADMINISTRATIVE EXPENSE FUND

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made and entered into as of November 1, 2017, by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), and ZIONS BANK, A DIVISION OF ZB, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the Board of Supervisors of the City has formed the CFD under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (section 53311 *et seq.* of the California Government Code) (the "Act"); and

WHEREAS, the Board of Supervisors, as the legislative body with respect to the CFD, is authorized under the Act to levy special taxes to pay for the costs of facilities within the CFD and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015 (the "Original Resolution of Issuance"), the Board of Supervisors authorized the issuance of up to \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

WHEREAS, pursuant to Resolution No. 247-17 (the "Supplemental Resolution of Issuance"; together with the Original Resolution of Issuance, the "Resolution of Issuance"), which was approved by the Board of Supervisors on June 13, 2017 and signed by the Mayor on June 22, 2017, the Board of Supervisors authorized the issuance of the following special tax bonds on behalf of the CFD:

- (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) (the "2017A Bonds"), and
- (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) (the "2017B Bonds"); and

WHEREAS, proceeds of the 2017A Bonds are expected to be used to finance street and sidewalk improvements in the vicinity of the Transit Center; and

WHEREAS, proceeds of the 2017B Bonds are expected to be used to finance the following improvements (the "Transbay Facilities"): (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Transbay Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Transit Center building and associated systems and (ii) the planning, design, engineering and construction of open space on the roof of the Transbay Transit Center; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this Agreement to provide for the issuance of the Bonds (as defined below) hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the 2017 Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution (as defined in this Agreement) and this Agreement, to be legal, valid, binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the 2017 Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the Act (as herein defined) and the Resolution.

Section 1.02. Agreement for Benefit of Owners of the Bonds. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being sections 53311 *et seq.* of the California Government Code.

"Administrative Expenses" means costs directly related to the administration of the CFD consisting of: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by a City employee or consultant or both) and the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; costs of the Fiscal Agent (including its legal counsel) in the discharge of its duties under this Agreement; the costs of the City or its designee of complying with the disclosure provisions of the Act and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Owners of the Bonds and the Original Purchaser; the costs of the City or its designee related to an appeal of the Special Tax; any amounts required to be rebated to the federal government; all costs and expenses of the City in any way related to the establishment or administration of the CFD; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption of interest on the Bonds, and the costs of prosecuting foreclosure of delinquent Special Taxes.

"Administrative Expense Fund" means the fund designated the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Administrative Expense Fund" established and administered under Section 4.06.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Allocated Bond Proceeds Account” means the account designated “Allocated Bond Proceeds Account” within the Improvement Fund established under Section 4.07. The Allocated Bond Proceeds Account was required to be established by the City pursuant to the JCFA.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year); provided that for purposes of calculating Annual Debt Service with respect to Parity Bonds proposed to be issued under Section 3.06, the amount described in the preceding clause (i) for a Bond Year shall be reduced by any capitalized interest applicable to the proposed Parity Bonds for such Bond Year.

“Auditor” means the tax collector of the City, or such other official at the City who is responsible for preparing property tax bills.

“Authorized Officer” means the Mayor, the Controller, the Director of the Office of Public Finance, the Clerk of the Board of Supervisors, or any other officer or employee authorized by the Board of Supervisors of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Board” means the Board of Supervisors of the City as the legislative body.

“Bond Counsel” means Jones Hall, A Professional Law Corporation or any other attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond” or “Bonds” means the 2017 Bonds and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“Bond Fund” means the fund designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds Bond Fund” established and administered under Section 4.04.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1 in the following year, except that the first Bond Year shall begin on the related Closing Date and shall end on September 1, 2018.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the Office of the State Treasurer, or any successor agency, board or commission.

“CFD” means the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" formed under the Resolution of Formation.

“CFD Value” means the market value, as of the date of the appraisal described below and/or the date of the most recent City real property tax roll, as applicable, of all parcels of real property in the CFD subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such nondelinquent parcels the value of the then existing improvements and any facilities to be constructed or acquired with any amounts then on deposit in the Improvement Fund and with the proceeds of any proposed series of Parity Bonds, as determined with respect to any parcel or group of parcels by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the City, or (ii) in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current City real property tax roll available to the Finance Director. It is expressly acknowledged that, in determining the CFD Value, the City may rely on an appraisal to determine the value of some or all of the parcels in the CFD and/or the most recent City real property tax roll as to the value of some or all of the parcels in the CFD. Neither the City nor the Finance Director shall be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“City” means the City and County of San Francisco, and any successor thereto.

“City Attorney” means any attorney or firm of attorneys employed by the City in the capacity of city attorney.

“Closing Date” means the date upon which there is a physical delivery of the 2017 Bonds in exchange for the amount representing the purchase price of the 2017 Bonds by the Original Purchaser.

“Continuing Disclosure Certificate” shall mean that certain Continuing Disclosure Agreement executed by the City and the dissemination agent identified therein, dated as of November 9, 2017, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale, delivery and issuance of the 2017 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, appraisal costs, filing and recording fees, fees and expenses of counsel to the City, initial fees and charges of the Fiscal Agent including its first annual administration fees and its legal fees and charges, including the allocated costs of in-house attorneys, expenses incurred by the City in connection with the issuance of the Bonds, Bond (underwriter’s) discount, legal fees and charges, including bond counsel and disclosure counsel, financial consultant’s fees, charges for execution, authentication, transportation and safekeeping of the 2017 Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Costs of Issuance Fund” established and administered under Section 4.02.

“Dated Date” means the dated date of the 2017 Bonds, which is the Closing Date.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the 2017 Bonds under Sections 2.02 and 2.03 and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, in each case excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository for book-entry under Section 2.10.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Fair Market Value” means with respect to Permitted Investments, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of the investment.

“Federal Securities” means: (a) any direct general 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 of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Finance Director” means the Director of the Office of Public Finance, or, in the event such office is eliminated, the official of the City that is responsible for the management of municipal bonds issued by the City.

“Fiscal Agent” means Zions Bank, a Division of ZB, National Association, the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Improvement Fund” means the fund designated “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), Special Tax Bonds, Improvement Fund,” established under Section 4.07.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the City or the Finance Director, and who, or each of whom: (i) is judged by the Finance Director to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the City; (iii) does not have any substantial interest, direct or indirect, with or in the City, or any owner of real property in the CFD, or any real property in the CFD; and (iv) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Information Services” means (i) the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access website and (ii) in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Interest Payment Date” means each September 1 and March 1 of every calendar year, commencing with March 1, 2018.

“JCFA” means the Joint Community Facilities Agreement, dated as of December 1, 2014, by and between the City and the Transbay Joint Powers Authority, as amended from time to time.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Officer’s Certificate” means a written certificate of the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the Board of Supervisors of the City levying the Special Taxes, including but not limited to Ordinance No. 1-15 passed by the Board on January 13, 2015.

“Original Resolution of Issuance” means Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015, authorizing the issuance of the Bonds.

“Original Purchaser” means, collectively, Stinson Securities LLC and Stifel, Nicolaus & Company, Incorporated, the first purchaser of the 2017 Bonds from the City.

“Outstanding.” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City under this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means additional bonds issued by the City for the CFD and payable on a parity basis with any then Outstanding Bonds pursuant to Section 3.06.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent, its parent, if any, and affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank, including its parent (if any), affiliates and subsidiaries, whose short-term obligations are rated in the highest short-term rating category by any Rating Agency, or whose long-term obligations are rated A or better by any Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency, or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest short-term rating category by any Rating Agency;

(i) any investment agreement representing general unsecured obligations of a financial institution rated A or better by any Rating Agency, by the terms of which the Fiscal Agent is permitted to withdraw all amounts invested therein in the event any such rating falls below A;

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California;

(k) the California Asset Management Program; and

(l) any other investment in which the City may invest its funds under California law.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the City, initially being at the address set forth in Section 9.06, or such other office designated by the Fiscal Agent from time to time; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Proceeds” when used with reference to the Bonds, means the face amount of the Bonds, plus any accrued interest and premium, less any original issue and/or underwriter’s discount.

“Project” means those items described as the “Facilities” in the Resolution of Formation.

“Qualified Reserve Fund Credit Instrument” means an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met at the time of acceptance thereof by the Fiscal Agent: (a) in the case of a commercial bank, the long-term credit rating of such bank at the time of delivery of the irrevocable standby or direct-pay letter of credit is at least "A" from S&P or "A" from Moody’s and, in the case of an insurance company, the claims paying ability of such insurance company at the time of delivery of the insurance policy or surety bond is at least "A" from S&P or "A" from Moody’s or, if not rated by S&P or Moody’s but is rated by A.M. Best & Company, is rated at the time of delivery in the highest rating category by A.M. Best & Company; (b) such letter of credit, insurance policy or surety bond has a stated term that extends at least to the final maturity date of the 2017 Bonds and any Related Parity Bonds; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments with respect to all or a portion of the 2017 Bonds and any Related Parity Bonds.

“Rate and Method” means the amended and restated rate and method of apportionment of Special Tax for the CFD, adopted by the Board of Supervisors pursuant to the Resolution of Formation, and as it subsequently may be amended in compliance with the provisions of this Agreement and the Act.

“Rating Agency” means any nationally recognized rating agency.

“Record Date” means the fifteenth day of the calendar month next preceding the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the City for the CFD, the net proceeds of which are used to refund all or a portion of the then-Outstanding Bonds; provided that (i) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds is less than the total interest cost to maturity on the Bonds to be refunded plus the principal amount of the Bonds to be refunded and (ii) the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Related Parity Bonds” means any series of Parity Bonds for which (i) the Proceeds are deposited into the Reserve Fund so that the balance therein is equal to the Reserve Requirement following issuance of such Parity Bonds and (ii) the related Supplemental Agreement specifies that the Reserve Fund shall act as a reserve for the payment of the principal of, and interest and any premium on, such series of Parity Bonds.

“Reserve Fund” means the fund designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), Special Tax Bonds, Reserve Fund” established and administered under Section 4.03.

“Reserve Requirement” means, as of the date of calculation, which shall be (A) the date of issuance of the 2017 Bonds and any Related Parity Bonds and (B) the date of defeasance or redemption of any of the 2017 Bonds or Related Parity Bonds, an amount equal to the lesser of (i) Maximum Annual Debt Service on the 2017 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds or (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2017 Bonds and any Related Parity Bonds between the date of such calculation and the final maturity of such Bonds and (iii) 10% of the original principal amount of the 2017 Bonds and any Related Parity Bonds (or, if the 2017 Bonds and any Related Parity Bonds have more than a de minimis amount of original issue discount or premium, 10% of the issue price of the 2017 Bonds and any Related Parity Bonds); provided that, with respect to the issuance of any Related Parity Bonds, if the Reserve Fund would have to be increased by an amount greater than ten percent (10%) of the stated principal amount of the Related Parity Bonds (or, if the Related Parity Bonds have more than a de minimis amount of original issue discount or premium, of the issue price of such Related Parity Bonds), then the Reserve Requirement shall be such lesser amount as is determined by a deposit of such ten percent (10%); and provided that accrued interest on any Related Parity Bonds deposited with the Fiscal Agent upon delivery of such Related Parity Bonds shall be excluded for purposes of the calculation of the Reserve Requirement.

“Resolution” or “Resolution of Issuance” means the Original Resolution of Issuance as supplemented by the Supplemental Resolution of Issuance.

“Resolution of Formation” means Resolution No. 350-14, adopted by the Board on September 23, 2014 and signed by the Mayor on September 29, 2014, forming the CFD.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the special fund designated “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center), Special Tax Fund” established and administered under Section 4.05.

“Special Tax Prepayments” means the proceeds of any Special Tax prepayments received by the City, as calculated pursuant to the Rate and Method, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund by Section 4.04(A) hereof.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including any scheduled payments thereof and any Special Tax Prepayments, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon, but shall not include any interest in excess of the interest due on the Bonds or any penalties collected in connection with any such foreclosure.

“Special Taxes” means the special taxes levied by the Board of Supervisors within the CFD under the Act, the Ordinance and this Agreement

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the City under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Supplemental Resolution of Issuance” means Resolution No. 247-17, which was approved by the Board of Supervisors on June 13, 2017, and signed by the Mayor on June 22, 2017, supplementing the Original Resolution of Issuance and authorizing the issuance of the 2017 Bonds.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Term Bonds” means (i) the 2017A Bonds maturing on September 1, 2037, (ii) the 2017A Bonds maturing on September 1, 2048, (iii) the 2017B Bonds maturing on September 1, 2037 and (iv) the 2017B Bonds maturing on September 1, 2048.

“2017 Bonds” means the 2017A Bonds and the 2017B Bonds.

“2017A Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

“2017A Capitalized Interest Account” means the account of that name held by the Fiscal Agent in the Bond Fund.

“2017A Improvement Account” means the account of that name held by the Fiscal Agent in the Improvement Fund.

“2017B Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

“2017B Capitalized Interest Account” means the account of that name held by the Fiscal Agent in the Bond Fund.

ARTICLE II
THE BONDS

Section 2.01. Principal Amount; Designation. The 2017 Bonds in the aggregate principal amount of Two Hundred Seven Million Five Hundred Thousand Dollars (\$207,500,000) are hereby authorized to be issued by the City for the CFD under and subject to the terms of the Act, the Resolution, this Agreement and other applicable laws of the State of California.

The 2017A Bonds shall be designated as the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable),” and shall be in the initial principal amount of \$36,095,000.

The 2017B Bonds shall be designated as the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds),” and shall be in the initial principal amount of \$171,405,000.

Section 2.02. Terms of the 2017 Bonds.

(A) Form; Denominations. The 2017 Bonds shall be issued as fully registered Bonds without coupons. The 2017 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2017 Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

(B) Date of 2017 Bonds. The 2017 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. “CUSIP” identification numbers may, at the election of the Original Purchaser of the Bonds, be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City’s contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities; Interest Rates. The 2017 Bonds shall mature and become payable on each September 1 in the principal amounts, and shall bear interest at the rates per annum, indicated in the below tables.

2017A Bonds

| <u>Maturity (September 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-----------------------------------|-----------------------------|--------------------------|
| 2018 | \$100,000 | 1.500% |
| 2019 | 265,000 | 1.750 |
| 2020 | 300,000 | 2.000 |
| 2021 | 340,000 | 2.250 |
| 2022 | 380,000 | 2.500 |
| 2023 | 425,000 | 2.750 |
| 2024 | 470,000 | 3.000 |
| 2025 | 520,000 | 3.000 |
| 2026 | 580,000 | 3.250 |
| 2027 | 630,000 | 3.250 |
| 2028 | 695,000 | 3.375 |
| 2029 | 755,000 | 3.500 |
| 2030 | 825,000 | 3.500 |
| 2031 | 890,000 | 3.625 |
| 2032 | 950,000 | 3.625 |
| 2037* | 6,090,000 | 3.750 |
| 2048* | 21,880,000 | 4.000 |

* Term Bond

2017B Bonds

| <u>Maturity (September 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|-----------------------------------|-----------------------------|--------------------------|
| 2018 | \$470,000 | 1.500% |
| 2019 | 1,240,000 | 1.750 |
| 2020 | 1,420,000 | 2.000 |
| 2021 | 1,605,000 | 2.250 |
| 2022 | 1,805,000 | 2.500 |
| 2023 | 2,005,000 | 2.750 |
| 2024 | 2,235,000 | 3.000 |
| 2025 | 2,470,000 | 3.000 |
| 2026 | 2,710,000 | 3.250 |
| 2027 | 2,980,000 | 3.250 |
| 2028 | 3,250,000 | 3.375 |
| 2029 | 3,545,000 | 3.500 |
| 2030 | 3,855,000 | 3.500 |
| 2031 | 4,185,000 | 3.625 |
| 2032 | 4,545,000 | 3.625 |
| 2037* | 28,500,000 | 3.750 |
| 2048* | 104,585,000 | 4.000 |

* Term Bond

(E) Interest. The 2017 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2017 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2017 Bond, interest is in default thereon, such 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The interest, principal of and any premium on the Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the Bonds at the Principal Office of the Fiscal Agent. All Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) Redemption Provisions.

(i) Optional Redemption. The 2017A Bonds maturing on or after September 1, 2028, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2027, in whole or in part, at a redemption price equal to the principal amount of the 2017A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2017B Bonds maturing on or after September 1, 2028, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2027, in whole or in part, at a redemption price equal to the principal amount of the 2017B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium

(ii) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2017A Bonds Maturing September 1, 2037

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2033 | \$1,035,000 |
| 2034 | 1,120,000 |
| 2035 | 1,245,000 |
| 2036 | 1,300,000 |
| 2037* | 1,390,000 |

* Maturity

2017A Bonds Maturing September 1, 2048

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2038 | \$1,490,000 |
| 2039 | 1,595,000 |
| 2040 | 1,685,000 |
| 2041 | 1,830,000 |
| 2042 | 1,935,000 |
| 2043 | 2,045,000 |
| 2044 | 2,185,000 |
| 2045 | 2,320,000 |
| 2046 | 2,465,000 |
| 2047 | 2,100,000 |
| 2048* | 2,230,000 |

* Maturity

2017B Bonds Maturing September 1, 2037

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2033 | \$4,905,000 |
| 2034 | 5,280,000 |
| 2035 | 5,650,000 |
| 2036 | 6,110,000 |
| 2037* | 6,555,000 |

* Maturity

2017B Bonds Maturing September 1, 2048

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2038 | \$7,025,000 |
| 2039 | 7,530,000 |
| 2040 | 8,085,000 |
| 2041 | 8,610,000 |
| 2042 | 9,210,000 |
| 2043 | 9,840,000 |
| 2044 | 10,475,000 |
| 2045 | 11,150,000 |
| 2046 | 11,860,000 |
| 2047 | 10,090,000 |
| 2048* | 10,710,000 |

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed under subsection (i) above or subsection (iii) below, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

(iii) **Redemption from Special Tax Prepayments.** Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 4.03(F) shall be used to redeem 2017 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), among series and maturities as provided in Section 2.03(D)(iii), at a redemption price (expressed as a percentage of the principal amount of the 2017 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2025 | 103% |
| On September 1, 2025 and March 1, 2026 | 102 |
| On September 1, 2026 and March 1, 2027 | 101 |
| On September 1, 2027 and any Interest Payment Date thereafter | 100 |

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under subsection (A)(i) and (A)(iii) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2017 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as

and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2017 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2017 Bonds were to be redeemed in accordance with this Agreement. Any 2017 Bonds purchased pursuant to this Section 2.03(C) shall be treated as outstanding 2017 Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(D) Redemption Procedure by Fiscal Agent.

(i) **Notices.** The Fiscal Agent shall cause notice of any redemption to be sent, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to send or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

(ii) **Contents of Notices.** Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the City from amounts in the Administrative Expense Fund.

The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute a default under this Agreement. The City and the Fiscal Agent have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall send notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

(iii) **Partial Redemption.** Whenever provision is made in this Agreement for the redemption of less than all of the Bonds, unless otherwise directed by the City, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among series and maturities so as to maintain substantially the same debt service profile for the Bonds as in effect prior to such redemption, and by lot within a maturity.

In connection with a redemption under subsection (A)(iii), the City shall deliver to the Trustee a certificate of an Independent Financial Consultant to the effect that, for each Fiscal Year after the proposed redemption, the maximum amount of the Special Taxes that, based on Taxable Parcels following the related Special Tax Prepayment, may be levied for such Fiscal Year under the Ordinance, the Agreement

and any Supplemental Agreement shall be at least 110% of the total Annual Debt Service of the remaining Outstanding Bonds following such Special Tax Prepayment and redemption for the Bond Year that commences in such Fiscal Year.

(iv) **New Bonds.** Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds of such registered Owner.

(E) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All Bonds redeemed and purchased by the Fiscal Agent under this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 2.04. Form of Bonds. The 2017 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibits A-1 and A-2 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution and Authentication of Bonds.

(A) Execution. The Bonds shall be executed on behalf of the City by the manual or facsimile signatures of its Mayor and its City Clerk who are in office on the date of execution of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

(B) Authentication. Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept under the provisions of Section 2.07 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. Bonds may be exchanged at the Principal Office of the Fiscal Agent solely for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services

rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange shall be paid by the City from amounts in the Administrative Expense Fund. The Fiscal Agent shall collect from the Owner requesting such transfer or exchange any tax or other governmental charge required to be paid with respect to such transfer or exchange. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount. No transfers or exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between a Record Date and the succeeding Interest Payment Date.

Section 2.07. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided. The City and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the City and the Fiscal Agent shall not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Owner as it appears in the Bond register for any and all purposes.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.

(A) Mutilated. If any Bond shall become mutilated, at the expense of the Owner of such Bond, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, in accordance with the Fiscal Agent's retention policy then in effect.

(B) Destroyed or Stolen. If any Bond shall be lost, destroyed or stolen, the City shall execute and the Fiscal Agent shall authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen, at the expense of the Owner, but only following provision by the Owner to the Fiscal Agent of indemnity for the City and the Fiscal Agent satisfactory to the Fiscal Agent. The City may require

payment of a sum not exceeding the actual cost of preparing each a replacement Bond delivered under this Section and the City and the Fiscal Agent may require payment of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery thereof. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

(C) Additional Stock. If the Fiscal Agent has an insufficient stock of unauthenticated printed Bonds for such purpose, it shall communicate with the Finance Director with respect to the printing of an additional stock of Bonds, in such quantities and as otherwise approved in writing by the Finance Director.

Section 2.10. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of each series of the Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond register kept by the Fiscal Agent for the Bonds in the name of Cede & Co., as nominee of DTC or such other nominee as DTC shall appoint in writing.

The Authorized Officers of the City and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond register in the name of Cede & Co., as nominee of DTC, neither the City nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the City nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any Bonds to be redeemed in the event the City elects to redeem the Bonds, in part, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payments to any DTC Participant, any Beneficial Owner, or any person, other than DTC, of any amount with respect to the principal of or interest or premium on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the City and the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond, for which DTC is acting as Depository for the purpose of payment of the principal of and premium and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent on behalf of the City shall pay all principal of and premium and interest on the Bonds only to or upon the order of the Owners as shown on the Bond register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to

the principal of and premium and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond register, shall receive a physical Bond. Upon delivery by DTC to the City and the Fiscal Agent of written notice to the effect the DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.10 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfer through DTC is not in the best interest of the Beneficial Owners, and the City shall mail notice of such termination to the Fiscal Agent.

Upon termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest of the Beneficial Owners of the Bonds that they be able to obtain certified Bonds, the Bonds shall no longer be restricted to being registered in the Bond register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners.

ARTICLE III

ISSUANCE OF 2017 BONDS

Section 3.01. Issuance and Delivery of 2017 Bonds. At any time after the execution of this Agreement, the City may issue the 2017 Bonds for the CFD in the aggregate principal amount set forth in Section 2.01 and deliver the 2017 Bonds to the Fiscal Agent for authentication and delivery to the Original Purchaser.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2017 Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the proceeds of the 2017 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2017 Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2017 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2017 Bonds.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account) and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

The 2017 Bonds and all Related Parity Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the Reserve Fund. The 2017A Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2017A Capitalized Interest Account. The 2017B Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all moneys deposited in the 2017B Capitalized Interest Account.

The moneys in the Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds and all Related Parity Bonds as provided herein and in the Act until all of the 2017 Bonds and all related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Amounts in the 2017A Improvement Account, the Allocated Bonds Account, the Administrative Expense Fund and the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The Project is not pledged to the repayment of the Bonds, nor are the proceeds of any condemnation or insurance award received by the City with respect to the Project.

Section 3.03. Limited Obligation. The Bonds are limited obligations of the City, secured by and payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. The Bonds are not payable from any other source of funds other than Special Tax Revenues and the funds pledged therefor hereunder. The General Fund of the City is not liable for the payment of the principal of or interest on the Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth herein) or of the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 3.04. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds under Section 2.03, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Project or upon the performance by any person of his obligation with respect to the Project.

Section 3.06. Parity Bonds. In addition to the 2017 Bonds, the City may issue Parity Bonds in such principal amount as shall be determined by the City, under a Supplemental Agreement entered into by the City and the Fiscal Agent. Any such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The City may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Compliance. The City shall be in compliance with all covenants set forth in this Agreement and all Supplemental Agreements, and issuance of the Parity Bonds shall not cause the City to exceed the CFD's limitation on debt (as defined in the Act).

(B) Same Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on Interest Payment Dates, and principal thereof shall be payable on September 1 in any year in which principal is payable on the Parity Bonds (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Separate Funds; Reserve Fund or Reserve Account. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts.

The Supplemental Agreement providing for issuance of the Parity Bonds shall provide for (i) a deposit to the Reserve Fund in an amount necessary such that the amount deposited therein shall equal the Reserve Requirement following issuance of the Parity Bonds, (ii) a deposit to a reserve account for the Parity Bonds (and such other series of Parity Bonds identified by the City) in an amount defined in such Supplemental Agreement, as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund and that the Owners of the Bonds covered by the Reserve Fund will have no interest in or claim to such other reserve account or (iii) no deposit to either the Reserve Fund or another reserve account as long as such Supplemental Agreement expressly declares that the Owners of such Parity Bonds will have no interest in or claim to the Reserve Fund or any other reserve account. The Supplemental Agreement may provide

that the City may satisfy the reserve requirement for a series of Parity Bonds by the deposit into the reserve account established pursuant to such Supplemental Agreement of an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company as described in the Supplemental Agreement.

(D) Value. The CFD Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the CFD subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the CFD (the "Other District Bonds") equal to the aggregate outstanding principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the CFD, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) Coverage. For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that, based on Taxable Parcels as of the date of issuance of such Parity Bonds, may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

(F) Certificates. The City shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D), and (E) of this Section 3.06 have been satisfied.

Notwithstanding the foregoing, the City may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clauses (D) or (E) above, and, in connection therewith, the Officer's Certificate in clause (F) above need not make reference to said clauses (D) and (E).

Nothing in this Section 3.06 shall prohibit the City from issuing any other bonds or otherwise incurring debt secured by a pledge of the Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

ARTICLE IV

PROCEEDS, FUNDS AND ACCOUNTS

Section 4.01. Application of 2017 Bond Proceeds.

(A) 2017A Bonds. The Proceeds of the 2017A Bonds received from the Original Purchaser in the amount of \$34,959,415.08 (which is equal to the principal amount of the 2017A Bonds, less an original issue discount of \$929,425.55 and less an underwriter's discount of \$206,159.37) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$215,195.39 into the Costs of Issuance Fund;
- (ii) \$2,672,605.83 into the Reserve Fund;
- (iii) \$906,431.88 into the Bond Fund (which shall represent capitalized interest and be deposited into the 2017A Capitalized Interest Account); and
- (iv) \$31,165,181.98 into the 2017A Improvement Account.

(B) 2017B Bonds. The Proceeds of the 2017B Bonds received from the Original Purchaser in the amount of \$167,254,821.41 (which is equal to the principal amount of the 2017B Bonds, less an original issue discount of \$3,171,032.10 and less an underwriter's discount of \$979,146.49), shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$1,021,902.52 into the Costs of Issuance Fund;
- (ii) \$12,691,453.15 into the Reserve Fund;
- (iii) \$4,305,114.17 into the Bond Fund (which shall represent capitalized interest and be deposited into the 2017B Capitalized Interest Account); and
- (iv) \$149,236,351.57 into the Allocated Bond Proceeds Account.

(c) Temporary Funds and Accounts. The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

Section 4.02. Costs of Issuance Fund .

(A) Establishment of Costs of Issuance Fund. The Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 4.01. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in

subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2017 Bonds, as set forth in a requisition substantially in the form of Exhibit C hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2017A Improvement Account.

Section 4.03. Reserve Fund.

(A) Establishment of Fund. The Reserve Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which a deposit shall be made as required by Section 4.01, which deposit, as of the Closing Date, is equal to the initial Reserve Requirement with respect to the 2017 Bonds, and deposits shall be made as provided in Sections 3.06(C) and 4.05(A) and (B). Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2017 Bonds and any Related Parity Bonds as a reserve for the payment of the principal of, and interest and any premium on, the 2017 Bonds and any Related Parity Bonds and shall be subject to a lien in favor of the Owners of the 2017 Bonds and any Related Parity Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2017 Bonds and any Related Parity Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming 2017 Bonds and any Related Parity Bonds from the Bond Fund. Whenever a transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund for payment of the principal of, and interest and any premium on, the 2017 Bonds and any Related Parity Bonds, the Fiscal Agent shall provide written notice thereof to the Finance Director, specifying the amount withdrawn.

(C) Transfer of Excess of Reserve Requirement. Whenever, on or before any Interest Payment Date, or on any other date at the request of the Finance Director, the amount in the Reserve Fund exceeds the

Reserve Requirement, the Fiscal Agent shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund, to be used to pay interest on the 2017 Bonds and any Related Parity Bonds on the next Interest Payment Date.

(D) Transfer for Rebate Purposes. Amounts in the Reserve Fund shall be withdrawn for purposes of making payment to the federal government to comply with any obligation to do so under this Fiscal Agent Agreement, upon receipt by the Fiscal Agent of an Officer's Certificate specifying the amount to be withdrawn and to the effect that such amount is needed for rebate purposes; *provided, however*, that no amounts in the Reserve Fund shall be used for rebate unless the amount in the Reserve Fund following such withdrawal equals the Reserve Requirement.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding 2017 Bonds and all Outstanding Related Parity Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon the written request of the Finance Director, transfer any cash or Permitted Investments in the Reserve Fund to the Bond Fund to be applied, on the redemption date to the payment and redemption, in accordance with Section 4.04 or 2.03 and the provisions of the Supplemental Agreement related to the Related Parity Bonds, as applicable, of all of the Outstanding 2017 Bonds and Outstanding Related Parity Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding 2017 Bonds and Outstanding Related Parity Bonds, the balance in the Reserve Fund shall be transferred to the City, at the written direction of the Finance Director, and shall be used by the City for any lawful purpose.

Notwithstanding the provisions of the first paragraph of this Section 4.03(E), no amounts shall be transferred from the Reserve Fund under this Section 4.03(E) until after: (i) with respect to any Related Parity Bonds the interest on which is exempt from gross income for federal income tax purposes, the calculation of any amounts due to the federal government under this Fiscal Agent Agreement and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government; and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and 2017 Bonds or any Related Parity Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) or a Supplemental Agreement related to any Related Parity Bonds, a proportionate amount in the Reserve Fund (determined on the basis of the principal of 2017 Bonds and Related Parity Bonds to be redeemed and the then-Outstanding principal of the 2017 Bonds and Related Parity Bonds, but in any event not in excess of the amount that will leave the balance in the Reserve Fund following the proposed redemption equal to the Reserve Requirement) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the 2017 Bonds pursuant to Section 2.03(A)(iii) or Related Parity Bonds pursuant to a

Supplemental Agreement related to any Related Parity Bonds. The Finance Director shall deliver to the Fiscal Agent an Officer's Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer's Certificate.

(G) Investment. Moneys in the Reserve Fund shall be invested by the Fiscal Agent under Section 6.01.

(H) Qualified Reserve Fund Credit Instruments. The City shall have the right at any time to direct the Fiscal Agent to release funds from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the 2017 Bonds or any Related Parity Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, and upon delivery by the City to the Fiscal Agent of written calculation of the amount permitted to be released from the Reserve Fund (upon which calculation the Fiscal Agent may conclusively rely), the Fiscal Agent shall transfer such funds from the Reserve Fund to the City to be deposited in the Improvement Fund and used for the purposes thereof. The Fiscal Agent shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section 4.03. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Fund Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Bond Fund with respect to the 2017 Bonds and any Related Parity Bonds. If the Reserve Requirement is being maintained with two or more Qualified Reserve Fund Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Bond Fund with respect to the 2017 Bonds and any Related Parity Bonds shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Fund Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the Reserve Fund may be established for such series, and the calculation of the Reserve Requirement with respect to all other Bonds payable from the Reserve Fund shall exclude the debt service on such issue of Bonds.

The City shall have no obligation to replace the Qualified Reserve Fund Credit Instrument or to fund the Reserve Fund with cash if, at any time that the 2017 Bonds and any Related Parity Bonds are Outstanding, amounts are not available under the Qualified Reserve Fund Credit Instrument or if the rating of the claims-paying ability of the provider of the Qualified Reserve Fund Credit Instrument is downgraded.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. The Bond Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by Section 4.03, Section 4.05 and 4.07(D) as otherwise set forth in this Agreement. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, and shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below.

Within the Bond Fund there is hereby established a separate account designated as the "2017A Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2017A Bonds into which shall be deposited the amount specified in Section 4.01. Amounts on deposit in the 2017A Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2017A Bonds as follows: \$347,672.50 shall be used on March 1, 2018, and the remainder shall be used on September 1, 2018. When the amount in the 2017A Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Within the Bond Fund there is hereby established a separate account designated as the "2017B Capitalized Interest Account" to be held by the Fiscal Agent for the benefit of the City and the Owners of the 2017B Bonds into which shall be deposited the amount specified in Section 4.01. Amounts on deposit in the 2017B Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2017B Bonds as follows: \$1,651,276.67 shall be used on March 1, 2018, and the remainder shall be used on September 1, 2018. When the amount in the 2017B Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

There is also hereby created in the Bond Fund a separate account to be held by the Fiscal Agent, designated the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.05(A).

(B) Disbursements. At least ten (10) days before each Interest Payment Date, the Fiscal Agent shall notify the Finance Director in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date (whether as a result of scheduled principal of and interest on the Bonds, optional redemption of the Bonds or a mandatory sinking fund redemption). On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, due and payable on such Interest Payment Date on the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to clause (ii) of the second paragraph of Section 4.05(A) shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least five (5) days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Finance Director by telephone (and confirm in writing) of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph with respect to any Interest Payment Date, the Fiscal Agent shall do the following:

(i) Withdraw from the Reserve Fund, in accordance with the provisions of Section 4.03, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to the 2017 Bonds and any Related Parity Bonds. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

(ii) Withdraw from the reserve funds, if any, established under a Supplemental Agreement related to Parity Bonds that are not Related Parity Bonds, to the extent of any funds or Permitted Investments therein, amounts to cover the amount of such Bond Fund insufficiency related to such Parity Bonds. Amounts so withdrawn from such reserve funds shall be deposited in the Bond Fund.

If, after the foregoing transfers and application of such funds for their intended purposes, there are insufficient funds in the Bond Fund to make the payments provided for in the second sentence of the first paragraph of this Section 4.04(B), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, if any, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding bonds, subject to the restrictions on the uses of any funds as set forth in this Fiscal Agent Agreement. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Any failure by the Fiscal Agent to provide the notices required by this Section 4.04(B) shall not alter the obligation of the City to make the scheduled payments from amounts in the Bond Fund.

(C) Disbursements from the Special Tax Prepayments Account. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii) and shall be used (together with any amounts transferred pursuant to Section 4.03(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(D) Investment. Moneys in the Bond Fund, the 2017A Capitalized Interest Account, the 2017B Capitalized Interest Account and the Special Tax

Prepayments Account shall be invested under Section 6.01. Interest earnings and profits resulting from such investment shall be retained in the Bond Fund.

(E) Deficiency. If at any time it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay Debt Service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Rate and Method) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

(F) Excess. Any excess moneys remaining in the Bond Fund (not including moneys in the Capitalized Interest Account) following the payment of Debt Service on the Bonds on any September 1, shall be transferred to the Special Tax Fund.

Section 4.05. Special Tax Fund.

(A) Establishment of Special Tax Fund. The Special Tax Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which the Fiscal Agent shall deposit amounts received from or on behalf of the City consisting of Special Tax Revenues and amounts transferred from the Administrative Expense Fund and the Bond Fund. The City shall promptly remit any Special Tax Revenues received by it to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Fund.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Finance Director and shall be disposed of by the Fiscal Agent first, for transfer to the Bond Fund to pay any past due debt service on the Bonds; second, without preference or priority for transfer to (a) the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement and (b) the reserve account for any Parity Bonds that are not Related Parity Bonds to the extent needed to increase the amount then on deposit in such reserve account up to the amount then required to be on deposit therein (and in the event the collection of delinquencies in payment of Special Taxes are not sufficient for the purposes of this clause, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds); and third, to be held in the Special Tax Fund for use as described in Section 4.05(B) below; and

(ii) any proceeds of Special Tax Prepayments shall be separately identified by the Finance Director and shall be deposited by the Fiscal Agent as follows (as directed in writing by the Finance Director): (a) that portion of any Special Tax Prepayment constituting a prepayment of costs of the Project shall be deposited by the Fiscal Agent to the Improvement Fund and (b) the remaining Special Tax Prepayment shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to Section 4.04(A).

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the City and Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. At least seven (7) days prior to each Interest Payment Date or redemption date, as applicable, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Improvement Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds, the 2017A Capitalized Interest Account, the 2017B Capitalized Interest Account and the Special Tax Prepayments Account to the Bond Fund such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date or redemption date, and any past due principal or interest on the Bonds not theretofore paid from a transfer described in clause second of subparagraph (ii) of the second paragraph of Section 4.05(A), and

(ii) without preference or priority (a) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement, and (b) to the reserve account for any Parity Bonds that are not Related Parity Bonds, taking into account amounts then on deposit in the such reserve account, such that the amount in such reserve account is equal to the amount required to be on deposit therein (and in the event that amounts in the Special Tax Fund are not sufficient for the purposes of this paragraph, such amounts shall be applied to the Reserve Fund and any other reserve accounts ratably based on the then Outstanding principal amount of the Bonds).

Each calendar year, following the transfers pursuant to the preceding paragraph for the March 1 Interest Payment Date occurring in such calendar year, when amounts (including investment earnings) have been accumulated in the Special Tax Fund sufficient to make the transfers pursuant to the preceding paragraph for the September 1 Interest Payment Date occurring in such calendar year, the Finance Director, during the period up to but not including December 10 of such calendar year, may in his or her sole discretion direct in writing the disposition of moneys in the Special Tax Fund in excess of the amounts needed for such September 1 Interest Payment Date as follows: (i) direct the Fiscal Agent to transfer money to the Improvement Fund (or the accounts therein) for payment or reimbursement of the costs of the Project, (ii) direct the Fiscal Agent to transfer money to the Administrative Expense Fund, in an amount not to exceed the amount included in the Special Tax levy for Administrative Expenses for such Fiscal Year and (iii) direct the Fiscal Agent to transfer money for any other lawful purpose.

(C) Investment. Moneys in the Special Tax Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 4.06. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposits shall be made as required by Section 4.05(B). Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate, in substantially the form of Exhibit D hereto, stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or a Cost of Issuance and the nature of such Administrative Expense or such Cost of Issuance. Amounts deposited to the Administrative Expense Fund pursuant to Section 4.01 shall be separately identified at all times, and shall be expended for purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to Section 4.05.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw from the Administrative Expense Fund and transfer to the Special Tax Fund any amount in excess of that which is needed to pay any Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, as identified by the Finance Director in an Officer's Certificate.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the Administrative Expense Fund to be used for the purposes of such fund.

Section 4.07. Improvement Fund.

(A) Establishment of Improvement Fund. The Improvement Fund is hereby established as a separate fund, and within the Improvement Fund there is hereby established a 2017A Improvement Account and an Allocated Bond Proceeds Account, to be held by the Fiscal Agent and to the credit of which fund and accounts deposits shall be made as required herein. Moneys in the Improvement Fund shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the Project.

(B) Procedure for Disbursement. Disbursements from the 2017A Improvement Account and the Allocated Bond Proceeds Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto which shall:

(i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid;

(ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement; and

(iii) certify that all disbursements from the Improvement Fund are in compliance with the JCFA.

Because the 2017B Bonds have been designated as Green Bonds, proceeds of the 2017B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs at the Transbay Transit Center. In the event that any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Transbay Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative at the following address:

The Climate Bonds Initiative
72 Muswell Hill Place, London, N10 3RR, United Kingdom
Email: info@climatebonds.net
Attn: Rob Fowler, Head of Certification

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

In addition, the Fiscal Agent shall transfer moneys from the 2017A Improvement Account to the Allocated Bond Proceeds Account in accordance with a written instruction requesting such transfer signed by an Authorized Officer.

(C) Investment. Moneys in the Improvement Fund, 2017A Improvement Account and the Allocated Bond Proceeds Account shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the related fund or accounts to be used for the purpose of such fund or accounts.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund (including the 2017A Improvement Account and the Allocated Bond Proceeds Account), the Fiscal Agent shall transfer the amount, if any, remaining in the 2017A Improvement Account and the Allocated Bond Proceeds Account to the Bond Fund for application to Debt Service payments on the Bonds specified in the Officer's Certificate.

ARTICLE V
COVENANTS

Section 5.01. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

(A) Processing. On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating (i) the amount then on deposit in the Bond Fund, the Reserve Fund and any reserve account for Parity Bonds that are not Related Parity Bonds that is held by the Fiscal Agent, and (ii) if the amount in the Reserve Fund is less than the Reserve Requirement or the amount in such other reserve account held by the Fiscal Agent is less than its required amount, informing the City that replenishment of the Reserve Fund or reserve account is necessary. The receipt of or failure to receive such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent shall not be liable for failure to provide such notices to the Finance Director. Upon receipt of such notice, the Finance Director shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(B) Levy. The Finance Director shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(C) Computation. The Finance Director shall fix and levy the amount of Special Taxes within the CFD required for the timely payment of principal of and interest on any outstanding Bonds of the CFD becoming due and payable during the ensuing calendar year, replenishment of the Reserve Fund or other reserve account and payment of Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year, taking into account the balances in the applicable funds established under this Agreement and in the Special Tax Fund. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings under the Rate and Method.

(D) Collection. Except as set forth in the Ordinance, Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same

proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property. The Finance Director is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Finance Director (including a charge for City staff time) in conducting its duties hereunder shall be an Administrative Expense hereunder.

Section 5.02. Covenant to Foreclose. Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

On or about September 1 of each Fiscal Year, the Finance Director shall compare the amount of Special Taxes theretofore levied in the CFD to the amount of Special Tax Revenues theretofore received by the City, and:

(A) Individual Delinquencies. If the Finance Director determines that (i) any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$40,000 or more or (ii) any single parcel subject to the Special Tax in the CFD is delinquent in the payment of three or more installments of Special Taxes, then the Finance Director shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the City within 90 days of such determination.

(B) Aggregate Delinquencies. If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the Finance Director shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and shall commence foreclosure proceedings within 90 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

The Finance Director and the City Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for City staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.05. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, or their Owners, except as permitted by this Agreement.

Section 5.06. Books and Records. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 5.07. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.08. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default for the purposes of this Agreement. However, any Owner or Beneficial Owner of the 2017 Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

One or more owners of the real property in the CFD as of the Closing Date may also have executed a continuing disclosure agreement for the benefit of the holders and Beneficial Owners of the 2017 Bonds. Any Participating Underwriter or Holder or Beneficial Owner may take such actions as may be necessary and appropriate directly against any such landowner to compel performance by it of its obligations thereunder, including seeking mandate or specific performance by court order; however the City shall have no obligation whatsoever to enforce any obligations under any such agreement.

Section 5.10. Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds.

The City covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues, assuming the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, to pay the principal of and interest when due on the Bonds remaining Outstanding following such tender. Subject to the foregoing, in the event Bonds are tendered to the Fiscal Agent, such Bonds shall be cancelled by the Fiscal Agent and shall cease to accrue interest from the date such Bonds are tendered. Upon surrender of a Bond to be tendered in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the tendering party a new Bond or Bonds the principal amount of which is equal to the untendered portion of the Bonds and the interest rate and maturity date of which shall be the same as the interest rate and maturity date of the tendered bond. To the extent applicable, the City shall deliver to the Fiscal Agent an Officer's Certificate setting forth any adjustments to the mandatory sinking fund schedule as a result of the tender, which Officer's Certificate must be accompanied by a certificate of an Independent Financial Consultant to the effect that it has reviewed the proposed adjustments in the mandatory sinking fund schedule and that the remaining Special Tax Revenues, if the Special Taxes are levied and collected in the maximum amount permitted by the Rate and Method, will be sufficient to pay principal of and interest on the Bonds when due following such adjustment.

Section 5.11. City Bid at Foreclosure Sale. The City will not bid at a foreclosure sale of property in respect of delinquent Special Taxes, unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the CFD and that the Special Taxes levied on the property are payable while the City owns the property.

Section 5.12. Limitation on Principal Amount of Parity Bonds. Following issuance of the 2017 Bonds in the aggregate principal amount of \$207,500,000, the City will not issue more than \$1,192,500,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 5.13. Amendment of Rate and Method. The City shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the City shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds.

(A) **General.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such funds uninvested. The Finance Director shall make note of any investment of funds hereunder in excess of the yield on the Bonds so that appropriate actions can be taken to assure compliance with provisions of this Fiscal Agent Agreement related to rebate of investment earnings to the federal government.

(B) **Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any Permitted Investment or in any other lawful investment for City funds, which in any event by its terms matures prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the City to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

(C) **Actions of Officials.** The Fiscal Agent and its affiliates or the Finance Director may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.

(D) **Valuation of Investments.** Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments of funds in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Tax Code or for any determination of Fair Market Value or present value and may conclusively rely upon an Officer's Certificate as to such valuations.

(E) **Commingled Money.** Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of

particular funds or accounts of amounts received or held by the Fiscal Agent or the Finance Director hereunder, provided that the Fiscal Agent or the Finance Director, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

(F) Confirmations Waiver. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The City understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder. Upon the City's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request.

(G) Sale of Investments. The Fiscal Agent or the Finance Director, as applicable, shall sell at Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Liability of City.

(A) General. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The City shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(B) Reliance. In the absence of bad faith, the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the City by the Fiscal Agent or an Independent Financial Consultant and conforming to the requirements of this Agreement. The City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts. The City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(C) No General Liability. No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or

in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Owner of Bonds. The City shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Section 6.03. Employment of Agents by City. In order to perform its duties and obligations hereunder, the City may employ such persons or entities as it deems necessary or advisable. The City shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. The Fiscal Agent.

(A) Appointment. The Fiscal Agent is hereby appointed as the fiscal, authentication, paying and transfer agent hereunder for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Fiscal Agent.

(B) Merger. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section 7.01 shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Fiscal Agent shall give the Finance Director written notice of any such succession hereunder.

(C) Removal. Upon 30 days written notice, the City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(D) Resignation. The Fiscal Agent may at any time resign by giving written notice to the City by certified mail return receipt requested, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

(E) No Successor. If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.01 within forty-five (45) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

(F) Court Order. If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director in trust for

the benefit of the Owners. The City covenants for the direct benefit of the Owners that the Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent.

(A) General. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

(B) Reliance. The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates, documents, written instructions or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates, documents, written instructions or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, facsimile transmission, electronic mail, or other paper or document which it shall reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) No Duty to Inquire. The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements

of the City or the CFD herein or of any of the documents executed by the City or the CFD in connection with the Bonds, or as to the existence of a default or event of default thereunder.

(D) Errors in Judgment. The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer of the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

(E) No Expenditures. No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(F) No Action. The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners under this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) Owner of Bonds. The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to monthly statements reporting funds held and transactions by the Fiscal Agent, including the value of any investments held by the Fiscal Agent. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the following funds and any accounts in such funds: Administrative Expense Fund, Bond Fund, Special Tax Fund, Reserve Fund, Improvement Fund (including the Allocated Bond Proceeds Account), and Cost of Issuance Fund. Such books of record and accounts shall, upon reasonable notice, during business hours be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, written instructions, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent,

be deemed to be conclusively proved and established by an Officer's Certificate of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation; Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys (including the allocated costs of in-house attorneys), agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities, costs, claims or expenses, including fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement, and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the City arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

Section 7.06. Conflict of Interest. Through its execution of this Agreement, the Fiscal Agent 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.

Section 7.07. Proprietary or Confidential Information of City. The Fiscal Agent understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, the Fiscal Agent may have access to private or confidential information which may be owned or controlled by the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Fiscal Agent agrees that all information disclosed by the City to the Fiscal Agent shall be held in confidence and used only in performance of the Agreement, provided that, notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by Fiscal Agent from sources other than the other parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of Fiscal Agent's business or that of its affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which Fiscal Agent or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Fiscal Agent having a need to know the same, provided that Fiscal Agent advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Agreement. The Fiscal Agent shall exercise the same standard of care to protect such information as a reasonably prudent Fiscal Agent would use to protect its own proprietary data.

Section 7.08. Ownership of Results. Any interest of the Fiscal Agent or its subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Fiscal Agent or its subcontractors in connection with services to be performed under this Agreement, shall become the property of and will be transmitted to the City. However, the Fiscal Agent may retain and use copies for reference and as documentation of its experience and capabilities.

Section 7.09. Works for Hire. If, in connection with services performed under this Agreement, the Fiscal Agent 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 the Fiscal Agent or its subcontractors under this Agreement are not works for hire under U.S. law, the Fiscal Agent 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, the Fiscal Agent may retain and use copies of such works for reference and as documentation of its experience and capabilities.

Section 7.10. Audit and Inspection of Records. The Fiscal Agent 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. The Fiscal Agent will permit the 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 provided, however, that the Fiscal Agent shall not be required to disclose confidential or proprietary information. The Fiscal Agent 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, until after final audit has been resolved, or for such longer period as required by its document retention policies and procedures, 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 the City by this Section.

Section 7.11. Subcontracting. The Fiscal Agent is prohibited from subcontracting this Agreement or any part of it unless such subcontracting is first approved by the 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.

Section 7.12. Assignment. The services to be performed by the Fiscal Agent are personal in character and neither this Agreement nor any duties or obligations hereunder may be assigned or delegated by the Fiscal Agent unless first approved by the City (except pursuant to Section 7.01(E)) by written instrument executed and approved in the same manner as this Agreement provided, however, that no such approval is required for assignments pursuant to Section 7.01(E) hereof.

Section 7.13. Earned Income Credit (EIC) Forms. Administrative Code Section 12O 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.

(a) The Fiscal Agent shall provide EIC Forms to each Eligible Employee (i.e., any employee of the Fiscal Agent who is paid at a rate that, on an annualized basis, is not greater than the EIC Limit) at each of the following times: (i) within thirty days following the date on which this Agreement becomes effective (unless the Fiscal Agent 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 the Fiscal Agent; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Agreement.

(b) Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Fiscal Agent of the terms of this Agreement. If, within thirty days after the Fiscal Agent receives written notice of such a breach, the Fiscal Agent fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Fiscal Agent 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.

(c) Any subcontract entered into by the Fiscal Agent shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section.

(d) 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 Administrative Code.

Section 7.14. Local Business Enterprise Utilization; Liquidated Damages.

(a) The LBE Ordinance. The Fiscal Agent, shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the 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 the Fiscal Agent's obligations or liabilities, or materially diminish the Fiscal Agent'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. Fiscal Agent's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Fiscal Agent's obligations under this Agreement and shall entitle the 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, the Fiscal Agent 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 the Fiscal Agent 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, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent'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 the Fiscal Agent authorized in the LBE Ordinance,

including declaring the Fiscal Agent to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Fiscal Agent'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 Section 14B.17.

By entering into this Agreement, the Fiscal Agent acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to the City upon demand. The Fiscal Agent further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to the Fiscal Agent on any contract with the City.

The Fiscal Agent 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.

Section 7.15. Nondiscrimination; Penalties.

(a) Fiscal Agent Shall Not Discriminate. In the performance of this Agreement, the Fiscal Agent agrees not to discriminate against any employee, City employee working with such Fiscal Agent or subcontractor, applicant for employment with such Fiscal Agent 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.

(b) Subcontracts. The Fiscal Agent shall incorporate by reference in all subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the Administrative Code (copies of which are available from Purchasing) and shall require all subcontractors to comply with such provisions. The Fiscal Agent's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) Nondiscrimination in Benefits. The Fiscal Agent 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 Section 12B.2(b) of the Administrative Code.

(d) Condition to Contract. As a condition to this Agreement, the Fiscal Agent 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 Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Fiscal Agent 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, the Fiscal Agent understands that pursuant to Sections 12B.2(h) and 12C.3(g) of the 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 Fiscal Agent and/or deducted from any payments due Fiscal Agent.

Section 7.16. MacBride Principles—Northern Ireland. Pursuant to Administrative Code Section 12F.5, the City 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 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 Fiscal Agent acknowledges and agrees that he or she has read and understood this Section.

Section 7.17. Tropical Hardwood Ban. Pursuant to Section 804(b) of the San Francisco Environment Code, the City urges Fiscal Agent not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 7.18. Drug-Free Workplace Policy. The Fiscal Agent 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 the City premises. The Fiscal Agent agrees that any violation of this prohibition by the Fiscal Agent, its employees, agents or assigns will be deemed a material breach of this Agreement.

Section 7.19. Resource Conservation. Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by Fiscal Agent to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

Section 7.20. Compliance with Americans with Disabilities Act. The Fiscal Agent 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 Fiscal Agent, must be accessible to the disabled public. The Fiscal Agent 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. The Fiscal Agent 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 Fiscal Agent, its employees, agents or assigns will constitute a material breach of this Agreement.

Section 7.21. Sunshine Ordinance. In accordance with Administrative Code Section 67.24(e), contracts, the Fiscal Agent’s bids, responses to solicitations and all other records of communications between the 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.

Section 7.22. Public Access to Meetings and Records. Only if the Fiscal Agent 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 Administrative Code, the Fiscal Agent shall comply with and be bound by all the applicable provisions of that Chapter and this Section 11.26; otherwise it will not be required to comply with or be bound by Chapter 12L of the Administrative Code and this Section 11.26. By executing this Agreement, the Fiscal Agent agrees to open its meetings and records to the public in the manner set forth in Sections 12L.4 and 12L.5 of the Administrative Code. The Fiscal Agent further agrees to make good faith efforts to promote community membership on its Board of Directors in the manner set forth in Section 12L.6 of the Administrative Code. The Fiscal Agent acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Agreement. The Fiscal Agent 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.

Section 7.23. Limitations on Contributions. Through execution of this Agreement, the Fiscal Agent acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code ("Section 1.126"), 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 (a) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or a board on which an appointee of that individual serves, (b) a candidate for the office held by such individual, or (c) 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. The Fiscal Agent 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. The Fiscal Agent further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Fiscal Agent's board of directors; the Fiscal Agent's chairperson, the chief executive officer, the chief financial officer and the chief operating officer; any person with an ownership interest of more than 20% in Fiscal Agent; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Fiscal Agent. Additionally, the Fiscal Agent acknowledges that the Fiscal Agent must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126.

Section 7.24. Requiring Minimum Compensation for Covered Employees.

(a) Unless the Fiscal Agent is exempt, the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in 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 Fiscal Agent's

obligations under the MCO is set forth in this Section. Unless the Fiscal Agent is exempt from such provisions under Section 11.28(i) hereof, the Fiscal Agent is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires Fiscal Agent to pay Fiscal Agent'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 Fiscal Agent is obligated to keep informed of the then-current requirements. Any subcontract entered into by Fiscal Agent 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 Fiscal Agent'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 Fiscal Agent.

(c) Fiscal Agent 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) Fiscal Agent shall maintain employee and payroll records as required by the MCO. If Fiscal Agent fails to do so, it shall be presumed that the Fiscal Agent paid no more than the minimum wage required under State law.

(e) The City is authorized to inspect Fiscal Agent's job sites and conduct interviews with employees and conduct audits of Fiscal Agent.

(f) Fiscal Agent'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 Fiscal Agent fails to comply with these requirements. Fiscal Agent 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 Fiscal Agent's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(g) Fiscal Agent 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, Fiscal Agent fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Fiscal Agent 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) Fiscal Agent 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 Fiscal Agent 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 Fiscal Agent later enters into an agreement or agreements that cause Fiscal Agent to exceed that amount in a fiscal year, Fiscal Agent 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 Fiscal Agent and this department to exceed \$25,000 in the fiscal year.

Section 7.25. Requiring Health Benefits for Covered Employees. Unless the Fiscal Agent is exempt (in which event it shall not be required to comply with Chapter 12Q or this Section 11.29), the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (“HCAO”), as set forth in Administrative Code Chapter 12Q (“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, the Fiscal Agent shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Fiscal Agent 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 Fiscal Agent 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) The Fiscal Agent’s failure to comply with the HCAO shall constitute a material breach of this Agreement. City shall notify Fiscal Agent if such a breach has occurred. If, within thirty days after receiving City’s written notice of a breach of this Agreement for violating the HCAO, Fiscal Agent fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, Fiscal Agent 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 the City.

(d) Any Subcontract entered into by the Fiscal Agent 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. The Fiscal Agent 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 Fiscal Agent 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 the Fiscal Agent based on the Subcontractor’s failure to comply, provided that the City has first provided the Fiscal Agent with notice and an opportunity to obtain a cure of the violation.

(e) The Fiscal Agent shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Fiscal Agent’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) The Fiscal Agent 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) The Fiscal Agent 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) The Fiscal Agent shall keep itself informed of the current requirements of the HCAO.

(i) The Fiscal Agent 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) The Fiscal Agent shall provide the 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) The Fiscal Agent shall allow the City to inspect Fiscal Agent's job sites and have access to the Fiscal Agent's employees in order to monitor and determine compliance with HCAO.

(l) The City may conduct random audits of the Fiscal Agent to ascertain its compliance with HCAO. Fiscal Agent agrees to cooperate with City when it conducts such audits.

(m) If the Fiscal Agent is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Fiscal Agent later enters into an agreement or agreements that cause the Fiscal Agent's aggregate amount of all agreements with the 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 the Fiscal Agent and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 7.26. Prohibition on Political Activity with City Funds. In accordance with Administrative Code Chapter 12.G, the Fiscal Agent 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 Fiscal Agent Agreement. The Fiscal Agent agrees to comply with 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 The Fiscal Agent 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 the Fiscal Agent from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Fiscal Agent's use of profit as a violation of this Section.

Section 7.27. Preservative-treated Wood Containing Arsenic. The Fiscal Agent may not purchase preservative-treated wood products containing arsenic in the performance of

this Fiscal Agent 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. The Fiscal Agent 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 the Fiscal Agent 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.

Section 7.28. Protection of Private Information. The Fiscal Agent has read and agrees, subject to the following sentence, to the terms set forth in 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. The Fiscal Agent 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 provided that, notwithstanding anything herein or in the Administrative Code to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by Fiscal Agent from sources other than the other parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any aspects of Fiscal Agent’s business or that of its affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which Fiscal Agent or any affiliate or an officer, director, employer or shareholder thereof is a party or (D) to any affiliate, independent or internal auditor, agent, employee or attorney of Fiscal Agent having a need to know the same, provided that Fiscal Agent advises such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the City and this Agreement. 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 Fiscal Agent pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Fiscal Agent.

Section 7.29. Food Service Waste Reduction Requirements. Effective June 1, 2007, the Fiscal Agent agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance applicable to contractors with the City, 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 Fiscal Agent Agreement as though fully set forth. This provision is a material term of this Fiscal Agent Agreement. By entering into this Agreement, the Fiscal Agent agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Fiscal Agent 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 the City will incur based on the violation, established in light of the circumstances existing at the time this Fiscal Agent Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Fiscal Agent’s failure to comply with this provision.

Section 7.30. Graffiti Removal.

(A) 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.

(B) The Fiscal Agent shall remove all graffiti from any real property owned or leased by the Fiscal Agent in the City within forty eight (48) hours of the earlier of the Fiscal Agent'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 the Fiscal Agent 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.).

Section 7.31. Slavery Era Disclosure.

(A) The Fiscal Agent acknowledges that this Agreement shall not be binding upon the City until the Director receives the affidavit required by the San Francisco Administrative Code's Chapter 12Y, "San Francisco Slavery Era Disclosure Ordinance."

(B) In the event the Director of Administrative Services finds that the Fiscal Agent has failed to file an affidavit as required by Section 12Y.4(a) and this Agreement, or has willfully filed a false affidavit, the Fiscal Agent shall be liable for liquidated damages in an amount equal to the Fiscal Agent's net profit on the Agreement, 10% of the total amount paid to the Fiscal Agent under the Agreement, or \$1,000, whichever is greatest as determined by the Director of Administrative Services. The Fiscal Agent acknowledges and agrees that the liquidated damages assessed shall be payable to the City upon demand and may be set off against any monies due to the Fiscal Agent from any agreement with the City.

(C) The Fiscal Agent shall maintain records necessary for monitoring its compliance with this provision.

Section 7.32. Qualified Personnel. The Fiscal Agent's work under this Agreement shall be performed only by competent personnel under the supervision of and in the

employment of the Fiscal Agent. The Fiscal Agent will comply with the City's reasonable requests regarding assignment of personnel, but all personnel, including those assigned at the City's request, must be supervised by the Fiscal Agent.

Section 7.33. Responsibility for Equipment. The City shall not be responsible for any damage to persons or property as a result of the use, misuse or failure of any equipment used by the Fiscal Agent, or by any of its employees, even though such equipment be furnished, rented or loaned to the Fiscal Agent by the City.

Section 7.34. Independent Contractor; Payment of Taxes and Other Expenses.

(A) Independent Contractor. The Fiscal Agent or any agent or employee of the Fiscal Agent shall be deemed at all times to be an independent contractor and is wholly responsible for the manner in which it performs the services and work requested by City under this Agreement. The Fiscal Agent or any agent or employee of the Fiscal Agent shall not have employee status with the City, nor be entitled to participate in any plans, arrangements, or distributions by the City pertaining to or in connection with any retirement, health or other benefits that the City may offer its employees. Contractor or any agent or employee of the Fiscal Agent is liable for the acts and omissions of itself, its employees and its agents. The Fiscal Agent shall be responsible for all obligations and payments, whether imposed by federal, state or local law, including, but not limited to, FICA, income tax withholdings, unemployment compensation, insurance, and other similar responsibilities related to the Fiscal Agent's performing services and work, or any agent or employee of the Fiscal Agent providing same. Nothing in this Agreement shall be construed as creating an employment or agency relationship between the City and the Fiscal Agent or any agent or employee of the Fiscal Agent. Any terms in this Agreement referring to direction from the City shall be construed as providing for direction as to policy and the result of the Fiscal Agent's work only, and not as to the means by which such a result is obtained. The City does not retain the right to control the means or the method by which Contractor performs work under this Agreement.

(B) Payment of Taxes and Other Expenses. Should the City, in its discretion, or a relevant taxing authority such as the Internal Revenue Service or the State Employment Development Division, or both, determine that the Fiscal Agent is an employee for purposes of collection of any employment taxes, the amounts payable under this Agreement shall be reduced by amounts equal to both the employee and employer portions of the tax due (and offsetting any credits for amounts already paid by the Fiscal Agent which can be applied against this liability). The City shall then forward those amounts to the relevant taxing authority. Should a relevant taxing authority determine a liability for past services performed by the Fiscal Agent for the City, upon notification of such fact by City, Contractor shall promptly remit such amount due or arrange with the City to have the amount due withheld from future payments to the Fiscal Agent under this Agreement (again, offsetting any amounts already paid by the Fiscal Agent which can be applied as a credit against such liability). A determination of employment status pursuant to the preceding two paragraphs shall be solely for the purposes of the particular tax in question, and for all other purposes of this Agreement, the Fiscal Agent shall not be considered an employee of the City. Notwithstanding the foregoing, should any court, arbitrator, or administrative authority determine that the Fiscal Agent is an employee for any other purpose, then the Fiscal Agent agrees to a reduction in City's financial liability so that City's total expenses under this Agreement are not greater than they would have been had the court, arbitrator, or administrative authority determined that Contractor was not an employee.

Section 7.35. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at <http://www.municode.com/Library/clientCodePage.aspx?clientID=4201>.

A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 7.36. Repeal of Administrative Code Provisions. To the extent that the City repeals any provision of the Administrative Code incorporated, set forth or referenced in Sections 7.06 through 7.35 hereof, other than pursuant to a restatement or amendment of any such provision, such provision, as incorporated, set forth or referenced herein, shall no longer apply to this Agreement or the Fiscal Agent.

Section 7.37. Non-Waiver of Rights. The omission by the City at any time to enforce any default or right reserved to it under this Article VII, or to require performance of any of the terms, covenants, or provisions set forth in this Article VIII, shall not be a waiver of any such default or right to which the City is entitled, nor shall it in any way affect the right of the City to enforce such provisions thereafter.

ARTICLE VIII

MODIFICATION OR AMENDMENT

Section 8.01. Amendments Permitted.

(A) With Consent. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof.

(B) Without Consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City herein, other covenants and agreements thereafter to be observed, or (b) to limit or surrender any right or power herein reserved to or conferred upon the City;

(ii) to make modifications not adversely affecting any Outstanding Bonds in any material respect, including, but not limited to, amending the Rate and Method, so long as the amendment does not result in debt service coverage less than that set forth in Section 3.06(E);

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exclusion from gross income for federal income tax purposes of interest on the Bonds;

(v) in connection with the issuance of any Parity Bonds under and pursuant to Section 3.06.

(C) Fiscal Agent's Consent. Any amendment of this Agreement may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The Fiscal Agent shall be furnished an opinion of counsel that any such Supplemental Agreement entered into by the

City and the Fiscal Agent complies with the provisions of this Section 8.01 and the Fiscal Agent may conclusively rely on such opinion and shall be absolutely protected in so relying.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01(A), to take effect when and as provided in this Section 8.03. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent, at the expense of the City), to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section 8.03 provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section 8.03 provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section 8.03 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section 8.03 for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 8.03 (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to

the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective under this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City, the Fiscal Agent and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor and Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Bond Fund and the Reserve Fund hereof, is fully sufficient to pay all Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and/or Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in the Bond Fund and the Reserve Fund (to the extent invested in Federal Securities), be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the City shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent.

Notwithstanding the foregoing, the following obligations and pledges of the City shall continue in any event: (i) the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the City to pay

amounts owing to the Fiscal Agent pursuant to Section 7.05, and (iii) the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Upon compliance by the City with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the City and any Special Taxes thereafter received by the City shall not be remitted to the Fiscal Agent but shall be retained by the City to be used for any purpose permitted under the Act.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, consent or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registration books maintained by the Fiscal Agent under Section 2.07.

Any request, declaration, consent or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No Board member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
City Hall, Room 336
San Francisco, CA 94102
Attn: Controller

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by facsimile transmission receipt of which has been confirmed or by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the City) as follows:

Zions Bank, a Division of ZB, National Association
Corporate Trust Department
550 South Hope Street, Suite 2875
Los Angeles, CA 90071

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held by a court of competent jurisdiction to be illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payment of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the City for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State applicable to contracts made and performed in the State.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued under this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds, or the date fixed for redemption of any Bonds, or the date any action is to be taken under this Agreement, is other than a Business Day, the payment of interest or principal (and premium, if any) or the action shall be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. State Reporting Requirements. In addition to Section 5.09, the following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the 2017 Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director shall cause the information required by Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds so as to reduce the amount in the Reserve Fund to less than the Reserve Requirement, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. The Finance Director shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Special Tax Reporting. The Finance Director shall file a report with the City no later than January 1, 2018, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the CFD, (ii) the amount of Bond proceeds collected and expended with respect to the CFD, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the City will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

(D) Compliance with Section 53343.2. The City shall comply with the provisions of Section 53343.2, which require the City, within seven months after the last day of each fiscal year of the CFD, to display prominently on its Internet Web site all of the following information:

(a) A copy of an annual report for that fiscal year if requested pursuant to Section 53343.1.

(b) A copy of the report provided to the California Debt and Investment Advisory Commission pursuant to Section 53359.5.

(c) A copy of the report provided to the Controller's office pursuant to Section 12463.2.

(E) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code and (iii) with respect to subparagraph (D) above, to reflect any amendments to Section 53343.2. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the City's obligations under the Continuing Disclosure Certificate. The City shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Finance Director shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term "Bondowner" for purposes of this Section 9.13 shall include any Beneficial Owner of the Bonds as described in Section 2.13.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

* * * * *

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By: 
Director of the Office of Public Finance

ZIONS BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By: _____
Director of the Office of Public Finance

ZIONS BANK, A DIVISION OF ZB, NATIONAL
ASSOCIATION,
as Fiscal Agent

By:  _____
Authorized Officer

EXHIBIT A-1

FORM OF 2017A BOND

No. ____

\$ _____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bond, Series 2017A (Federally Taxable)**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2018, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each September 1 and March 1, commencing March 1, 2018 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds

are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$36,095,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. 247-17 of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017 (the "Agreement"), between the City and the Zions Bank, a Division of ZB, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 2028, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2027, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2017A Bonds Maturing September 1, 2037

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2033 | \$1,035,000 |
| 2034 | 1,120,000 |
| 2035 | 1,245,000 |
| 2036 | 1,300,000 |
| 2037* | 1,390,000 |

* Maturity

2017A Bonds Maturing September 1, 2048

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2038 | \$1,490,000 |
| 2039 | 1,595,000 |
| 2040 | 1,685,000 |
| 2041 | 1,830,000 |
| 2042 | 1,935,000 |
| 2043 | 2,045,000 |
| 2044 | 2,185,000 |
| 2045 | 2,320,000 |
| 2046 | 2,465,000 |
| 2047 | 2,100,000 |
| 2048* | 2,230,000 |

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2025 | 103% |
| On September 1, 2025 and March 1, 2026 | 102 |
| On September 1, 2026 and March 1, 2027 | 101 |
| On September 1, 2027 and any Interest Payment Date thereafter | 100 |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANK, A DIVISION OF ZB,
NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT A-2

FORM OF 2017B BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
Community Facilities District No. 2014-1
(Transbay Transit Center)**

Special Tax Bond, Series 2017B (Federally Taxable - Green Bonds)

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2018, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each September 1 and March 1, commencing March 1, 2018 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior

to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$171,405,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. 247-17 of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017 (the "Agreement"), between the City and the Zions Bank, a Division of ZB, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 2028, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2027, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2017B Bonds Maturing September 1, 2037

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2033 | \$4,905,000 |
| 2034 | 5,280,000 |
| 2035 | 5,650,000 |
| 2036 | 6,110,000 |
| 2037* | 6,555,000 |

* Maturity

2017B Bonds Maturing September 1, 2048

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2038 | \$7,025,000 |
| 2039 | 7,530,000 |
| 2040 | 8,085,000 |
| 2041 | 8,610,000 |
| 2042 | 9,210,000 |
| 2043 | 9,840,000 |
| 2044 | 10,475,000 |
| 2045 | 11,150,000 |
| 2046 | 11,860,000 |
| 2047 | 10,090,000 |
| 2048* | 10,710,000 |

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2025 | 103% |
| On September 1, 2025 and March 1, 2026 | 102 |
| On September 1, 2026 and March 1, 2027 | 101 |
| On September 1, 2027 and any Interest Payment Date thereafter | 100 |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANK, A DIVISION OF ZB,
NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

\$36,095,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017A (Federally
Taxable)

\$171,405,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017B
(Federally Taxable - Green Bonds)

OFFICER’S CERTIFICATE REQUESTING DISBURSEMENT FROM IMPROVEMENT FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city duly organized and existing under the Constitution and the laws of the State of California (the “City”) and as such, am familiar with the facts herein certified and am authorized to certify the same.

(ii) I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the “Fiscal Agent Agreement”), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) Under Section 4.07(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The proposed requisition from the Improvement Fund and expenditure of such moneys complies with the JCFA.

(v) If the moneys are being requisitioned from the Allocated Bond Proceeds Account and the moneys constitute proceeds of the 2017B Bonds, the City hereby represents that the moneys will be used for Project costs at the Transbay Transit Center.

(vi) No portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| Payee Name and Address | Purpose of Obligation | Amount from 2017A Improvement Account | Amount from Allocated Bond Proceeds Account* |
|-------------------------------|------------------------------|--|---|
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* If the moneys being requisitioned from the Allocated Bond Proceeds Account constitute proceeds of the 2017B Bonds, the moneys will be used for Project costs at the Transbay Transit Center.

EXHIBIT C

\$36,095,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017A (Federally
Taxable)

\$171,405,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017B
(Federally Taxable - Green Bonds)

OFFICER’S CERTIFICATE REQUESTING DISBURSEMENT
FROM COSTS OF ISSUANCE FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered duly organized and existing under the Constitution and the laws of the State of California (the “City”) and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an “Authorized Officer,” as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the “Fiscal Agent Agreement”), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the “Fiscal Agent”);

(iii) Under Section 4.02 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| Payee Name and Address | Purpose of Obligation | Amount |
|-------------------------------|------------------------------|---------------|
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EXHIBIT D

\$36,095,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017A (Federally
Taxable)

\$171,405,000
City and County of San Francisco
Community Facilities District No. 2014-1
(Transbay Transit Center)
Special Tax Bonds, Series 2017B
(Federally Taxable - Green Bonds)

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM ADMINISTRATIVE EXPENSE FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Fiscal Agent Agreement"), by and between the City and Zions Bank, a Division of ZB, National Association, as fiscal agent (the "Fiscal Agent").

(iii) Under Section 4.06(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Administrative Expense Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of an Administrative Expense or Costs of Issuance (as those terms are defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto).

(iv) The disbursements described on the attached Schedule A constitute Administrative Expenses or Costs of Issuance, and are properly chargeable to the Administrative Expense Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| Payee Name and Address | Purpose of Obligation | Amount |
|-------------------------------|------------------------------|---------------|
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FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of February 1, 2019

RELATING TO

**\$33,655,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2019A
(FEDERALLY TAXABLE)**

**\$157,310,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2019B
(FEDERALLY TAXABLE - GREEN BONDS)**

**FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT
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FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS FIRST SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of February 1, 2019 (the "**First Supplement to Fiscal Agent Agreement**"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "**CFD**"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "**Fiscal Agent**");

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the "**Board of Supervisors**") previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD, to authorize the levy of special taxes ("**Special Taxes**") upon the land within the CFD and to issue bonds secured by the Special Taxes for financing certain public improvements ("**Facilities**"), all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015 (the "**Original Resolution of Issuance**"), the Board of Supervisors authorized the issuance of up to \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 247-17 (the "**First Supplemental Resolution of Issuance**"), and a Fiscal Agent Agreement, dated as of November 1, 2017 (the "**Master Fiscal Agent Agreement**"; as supplemented, the "**Agreement**"), the City previously issued the following special tax bonds on behalf of the CFD (collectively, the "**2017 Bonds**");

- (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), and
- (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds); and

WHEREAS, the City wishes to provide for the issuance of two series of Parity Bonds and Related Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the CFD under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled (i) "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable)" (the "**2019A Bonds**") and

(ii) "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds)" (the "**2019B Bonds**," together with the 2019A Bonds, the "**2019 Bonds**"); and

WHEREAS, Proceeds of the 2019A Bonds are expected to be used to finance street and sidewalk improvements in the vicinity of the Salesforce Transit Center and improvements to the regional Bay Area Rapid Transit District system; and

WHEREAS, Proceeds of the 2019B Bonds are expected to be used to finance the following improvements (the "**Transbay Facilities**"): (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Salesforce Transit Center building and associated systems and (ii) the planning, design, engineering and construction of open space on the roof of the Salesforce Transit Center; and

WHEREAS, under the JCFA, the City is generally obligated to make available approximately 82.6% of the Special Tax Proceeds (as defined in the JCFA) to finance the Transbay Facilities and to cause the deposit of bond proceeds allocable to contribute toward the cost of the Transbay Facilities into the Allocated Bonds Proceeds Account; and

WHEREAS, the City intends the deposit of Proceeds of the 2019B Bonds into the Allocated Bond Proceeds Account to meet its obligation to make available approximately 82.6% of the Special Tax Proceeds to finance the Transbay Facilities; and

WHEREAS, a portion of the Proceeds of the 2019B Bonds deposited into the Allocated Bond Proceeds Account will be used to prepay certain advances ("Advances") made by Wells Fargo Bank, National Association ("Wells Fargo") under a Certificate Purchase Agreement, dated as of January 1, 2017, between the City and Wells Fargo (the "Purchase Agreement"), and, as a result, cause the prepayment of a corresponding amount of City and County of San Francisco Lease Revenue Direct Placement Certificates of Participation, Series A (the "Lease Revenue Certificates"), which were executed and delivered to finance the Transbay Facilities pursuant to a Trust Agreement, dated as of January 1, 2017 (the "Lease Trust Agreement") between the City and U.S. Bank National Association, as trustee (the "Lease Trustee"); and

WHEREAS, under the Purchase Agreement, the Lease Revenue Certificates may be prepaid on any Business Day if the City has given Wells Fargo at least three Business Days' (as defined in the Purchase Agreement) prior written notice; and

WHEREAS, the Proceeds of the 2019A Bonds deposited into the 2017A Improvement Account and the BART Improvement Account represent 17.4% of the net proceeds of the 2019 Bonds in compliance with the JCFA; and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the issuance of Parity Bonds, without the consent of any Owners, but with the written consent of the Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, the Fiscal Agent has received an opinion of counsel that this First Supplement to Fiscal Agent Agreement, to the extent it amends the Master Fiscal Agent

Agreement as described in the preceding Whereas clause, is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, on December 4, 2018, the Board of Supervisors adopted Resolution No. 419-18 (the “**Second Supplemental Resolution of Issuance**”; together with the Original Resolution of Issuance and the First Supplemental Resolution of Issuance, the “**Resolution of Issuance**”) authorizing the issuance of the 2019 Bonds for and on behalf of the CFD (which Second Supplemental Resolution of Issuance was signed by the Mayor on December 12, 2018); and

WHEREAS, in order to provide for the authentication and delivery of the 2019 Bonds, to establish and declare the terms and conditions upon which the 2019 Bonds are to be issued and to secure the 2019 Bonds by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds, the Board of Supervisors has authorized the execution and delivery of this First Supplement to Fiscal Agent Agreement; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this First Supplement to Fiscal Agent Agreement to provide for the issuance of the 2019 Bonds hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of Proceeds of the 2019 Bonds, the disposition of the special taxes securing the 2019 Bonds and the administration and payment of the 2019 Bonds; and

WHEREAS, the City has determined that all acts and proceedings required by law and the Master Fiscal Agent Agreement necessary to make the 2019 Bonds, when executed by the City, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City, and to constitute this First Supplement to Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this First Supplement to Fiscal Agent Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Authorization. Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this First Supplement to Fiscal Agent Agreement and has taken all actions necessary to authorize the execution of this First Supplement to Fiscal Agent Agreement by the officers and persons signing it.

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2019 Bonds shall be secured by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds.

In addition, as Related Parity Bonds, the 2019 Bonds shall be secured by a first pledge of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds, the 2019 Bonds and all Related Parity Bonds as provided in the Agreement and in the Act until all of the 2017 Bonds, the 2019 Bonds and all related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Section 3. Supplement to Master Fiscal Agent Agreement. In accordance with the provisions of Section 8.01(v) of the Master Fiscal Agent Agreement, the Master Fiscal Agent Agreement is hereby amended by adding a supplement thereto consisting of new articles to be designated as Article X, XI and XII. Such Articles shall read in their entirety as follows:

ARTICLE X

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2019 BONDS; EQUAL SECURITY

Section 10.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of Articles X, XI and XII and for other purposes of this Agreement, to the extent applicable, have the respective meanings specified in this Section 10.01. All terms used in Articles X, XI and XII and not otherwise defined in this Section 10.01 shall have the respective meanings given to such terms in Section 1.03 of the Agreement.

“BART Improvement Account” means the account designated the “BART Improvement Account” within the Improvement Fund, which account is established pursuant to Section 12.04.

“Closing Date” means the date of initial issuance and delivery of the 2019 Bonds hereunder.

“Interest Payment Date” for the 2019 Bonds means March 1 and September 1 of each year, commencing September 1, 2019.

“JCFA (BART)” means the Joint Community Facilities Agreement, dated as of December 1, 2014, by and between the City and the San Francisco Bay Area Rapid Transit District, as amended from time to time.

“Original Purchaser” and **“Participating Underwriter”** means Stifel, Nicolaus & Company, Incorporated, RBC Capital Markets, LLC, and Siebert Cisneros Shank & Co., LLC, as the first purchasers of the 2019 Bonds from the City.

“2017 Bonds” means the 2017A Bonds and the 2017B Bonds.

“2017A Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable).

“2017B Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds).

“2019 Bonds” means the 2019A Bonds and the 2019B Bonds.

“2019 Costs of Issuance Fund” means the fund designated the “2019 Costs of Issuance Fund” which fund is established pursuant to Section 12.03.

“2019A Bonds” means the Bonds so designated and authorized to be issued under Section 11.01 hereof.

“2019B Bonds” means the Bonds so designated and authorized to be issued under Section 11.01 hereof.

2019 Term Bonds means (i) the 2019A Bonds maturing on September 1, 2034, September 1, 2039 and September 1, 2049 and (ii) the 2019B Bonds maturing on September 1, 2039 and September 1, 2049.

Section 10.02. Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE XI

ISSUANCE OF 2019 BONDS

Section 11.01. Terms of 2019 Bonds.

(A) Principal Amount; Designation. The 2019 Bonds in the aggregate principal amount of One Hundred Ninety Million Nine Hundred Sixty-Five Thousand Dollars (\$190,965,000) are hereby authorized to be issued by the City under and subject to the Resolution of Issuance, the Act, other applicable laws of the State of California and the terms of the Agreement.

The 2019A Bonds shall be designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable)” and shall be issued in the initial principal amount of Thirty-Three Million Six Hundred Fifty-Five Thousand Dollars (\$33,655,000).

The 2019B Bonds shall be designated as the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds),” and shall be in the initial principal amount of One Hundred Fifty-Seven Million Three Hundred Ten Thousand Dollars (\$157,310,000).

(B) Maturity Dates; Interest Rates. The 2019 Bonds shall be dated the Closing Date, issued in fully registered form without coupons in denominations of \$5,000, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

| <u>2019A Bonds</u> | | |
|---|-----------------------------------|--------------------------------|
| <u>Maturity</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
| 2019 | \$445,000 | 2.652% |
| 2020 | 205,000 | 2.782 |
| 2021 | 240,000 | 2.882 |
| 2022 | 280,000 | 2.944 |
| 2023 | 320,000 | 3.038 |
| 2024 | 360,000 | 3.148 |
| 2025 | 400,000 | 3.314 |
| 2026 | 450,000 | 3.414 |
| 2027 | 500,000 | 3.518 |
| 2028 | 560,000 | 3.618 |
| 2029 | 615,000 | 3.718 |
| 2034 (T) | 4,040,000 | 4.000 |
| 2039 (T) | 6,055,000 | 4.125 |
| 2049 (T) | 19,185,000 | 4.250 |

(T)=2019 Term Bond

2019B Bonds

| <u>Maturity</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|---|-----------------------------------|--------------------------------|
| 2019 | 2,100,000 | 2.632% |
| 2020 | 900,000 | 2.752 |
| 2021 | 1,080,000 | 2.862 |
| 2022 | 1,255,000 | 2.934 |
| 2023 | 1,440,000 | 3.028 |
| 2024 | 1,640,000 | 3.108 |
| 2025 | 1,865,000 | 3.264 |
| 2026 | 2,085,000 | 3.364 |
| 2027 | 2,325,000 | 3.468 |
| 2028 | 2,570,000 | 3.538 |
| 2029 | 2,830,000 | 3.648 |
| 2030 | 3,110,000 | 3.778 |
| 2031 | 3,410,000 | 3.918 |
| 2032 | 3,730,000 | 3.968 |
| 2033 | 4,070,000 | 4.018 |
| 2034 | 4,415,000 | 4.038 |
| 2039 (T) | 28,175,000 | 4.221 |
| 2049 (T) | 90,310,000 | 4.371 |

(T) =2019 Term Bond

(C) Form; Denominations; Authentication. The 2019 Bonds shall be issued as fully registered Bonds without coupons. The 2019 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2019 Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

The 2019 Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibits E-1 and E-2 attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

(D) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the 2019 Bonds, be imprinted on the 2019 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2019 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2019 Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(E) Interest. The 2019 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all 2019 Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2019 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the

close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2019 Bond, interest is in default thereon, such 2019 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2019 Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2019 Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2019 Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2019 Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2019 Bonds at the Principal Office of the Fiscal Agent. All 2019 Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2019 Bonds and issue a certificate of destruction of such Bonds to the City.

Section 11.02. Other Terms of the Bonds. Except as otherwise set forth in this Article XI, Sections 2.05-2.10 shall govern the 2019 Bonds.

Section 11.03. Redemption of 2019 Bonds.

(A) Optional Redemption. The 2019A Bonds maturing on or after September 1, 2030, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2029, in whole or in part, at a redemption price equal to the principal amount of the 2019A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The 2019B Bonds maturing on or after September 1, 2030, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2029, in whole or in part, at a redemption price equal to the principal amount of the 2019B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium

(B) Mandatory Sinking Fund Redemption. The 2019 Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2019A Bonds Maturing September 1, 2034

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2030 | \$670,000 |
| 2031 | 735,000 |
| 2032 | 805,000 |
| 2033 | 875,000 |
| 2034* | 955,000 |

* Maturity

2019A Bonds Maturing September 1, 2039

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2035 | \$1,035,000 |
| 2036 | 1,115,000 |
| 2037 | 1,205,000 |
| 2038 | 1,300,000 |
| 2039* | 1,400,000 |

* Maturity

2019A Bonds Maturing September 1, 2049

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2040 | \$1,495,000 |
| 2041 | 1,610,000 |
| 2042 | 1,730,000 |
| 2043 | 1,850,000 |
| 2044 | 1,970,000 |
| 2045 | 2,110,000 |
| 2046 | 2,250,000 |
| 2047 | 2,400,000 |
| 2048 | 2,550,000 |
| 2049* | 1,220,000 |

* Maturity

2019B Bonds Maturing September 1, 2039

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2035 | \$4,790,000 |
| 2036 | 5,195,000 |
| 2037 | 5,615,000 |
| 2038 | 6,055,000 |
| 2039* | 6,520,000 |

* Maturity

2019B Bonds Maturing September 1, 2049

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2040 | \$7,020,000 |
| 2041 | 7,540,000 |
| 2042 | 8,090,000 |
| 2043 | 8,670,000 |
| 2044 | 9,290,000 |
| 2045 | 9,935,000 |
| 2046 | 10,605,000 |
| 2047 | 11,320,000 |
| 2048 | 12,070,000 |
| 2049* | 5,770,000 |

* Maturity

Provided, however, if some but not all of the 2019 Term Bonds have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2019 Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

(C) Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 12.06(F) shall be used to redeem 2019 Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D)(i), among series and maturities as provided in Section 2.03(D)(iii), at a redemption price (expressed as a percentage of the principal amount of the 2019 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2027 | 103% |
| On September 1, 2027 and March 1, 2028 | 102 |
| On September 1, 2028 and March 1, 2029 | 101 |
| On September 1, 2029 and any Interest Payment Date thereafter | 100 |

(D) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under Section 11.03 (A) and (C) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 11.03, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2019 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2019 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2019 Bonds were to be redeemed in accordance with this Agreement. Any 2019 Bonds purchased pursuant to this Section 11.03(E) shall be treated as outstanding 2019 Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(F) Redemption Procedure by Fiscal Agent. The provisions of Section 2.03(D) shall govern the procedure for redemption of the 2019 Bonds.

(G) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2019 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2019 Bonds so called shall cease to be entitled to any benefit under the Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All 2019 Bonds redeemed by the Fiscal Agent under this Section 11.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2019 Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 11.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the Closing Date relating to the 2019 Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this First Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2019 Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2019 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE XII

ISSUE OF 2019 BONDS

Section 12.01. Issuance of 2019 Bonds. Upon the execution and delivery of the First Supplement to Fiscal Agent Agreement and satisfaction of the requirements for issuance of Parity Bonds under Section 3.06, the City shall execute and deliver the 2019 Bonds in the aggregate principal amount set forth in Section 11.01 to the Fiscal Agent for authentication and delivery to the Original Purchaser thereof upon receipt by the Fiscal Agent of an Officer's Certificate requesting authentication and delivery.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2019 Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the Proceeds of the 2019 Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2019 Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2019 Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2019 Bonds.

Section 12.02. Application of Proceeds of Sale of 2019 Bonds.

(A) 2019A Bonds. The Proceeds of the 2019A Bonds received from the Original Purchaser in the amount of \$32,966,600.79 (which is equal to the principal amount of the 2019A Bonds, less an original issue discount of \$510,660.75 and less an underwriter's discount of \$177,738.46) shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$144,657.83 into the 2019 Costs of Issuance Fund;
- (ii) \$2,503,089.75 into the Reserve Fund;
- (iii) \$325,635.12 into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2019A Capitalized Interest Account, which is hereby established);
- (iv) \$28,935,231.65 into the 2017A Improvement Account to pay for Project costs;
- (v) \$57,986.44 into the 2017A Improvement Account to pay for Office of the Controller audit costs related to Project Costs paid from the 2017A Improvement Account; and
- (vi) \$1,000,000 into the BART Improvement Account.

Amounts on deposit in the 2019A Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2019A Bonds as follows: \$325,635.12 shall be used on September 1, 2019 and, to the extent amounts remain in the 2019A Capitalized Interest Account on September 2, 2019, on March 1, 2020. When the amount in the 2019A Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

(B) 2019B Bonds. The Proceeds of the 2019B Bonds received from the Original Purchaser in the amount of \$156,477,259.96 (which is equal to the principal amount of the 2019B Bonds, less an underwriter's discount of \$832,740.04), shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$663,235.06 into the 2019 Costs of Issuance Fund;
- (ii) \$11,880,190.01 into the Reserve Fund;
- (iii) \$1,552,236.36 into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2019B Capitalized Interest Account, which is hereby established); and
- (iv) \$142,381,598.53 into the Allocated Bond Proceeds Account maintained and administered by the Fiscal Agent in accordance with Section 4.07 of the Master Fiscal Agent Agreement. Of this amount, upon receipt of an executed requisition substantially in the form of Exhibit B, the Fiscal Agent will transfer \$25,000,000 to the Lease Trustee on the Closing Date to prepay the principal amount of the Advances and prepay a corresponding principal amount of the Lease Revenue Certificates.

Amounts on deposit in the 2019B Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2019B Bonds as follows: \$1,552,236.36 shall be used on September 1, 2019 and, to the extent amounts remain in the 2019B Capitalized Interest Account on September 2, 2019, on March 1, 2020. When the amount in the 2019B Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Section 12.03. 2019 Costs of Issuance Fund.

(A) Establishment of 2019 Costs of Issuance Fund. The 2019 Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 12.02. Moneys in the 2019 Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the 2019 Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2019 Bonds, as set forth in a requisition substantially in the form of Exhibit F hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the 2019 Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the 2019 Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the 2019 Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2017A Improvement Account.

Section 12.04. New Accounts in the Improvement Fund.

(A) Establishment of the BART Improvement Account; Deposit. There is hereby established a separate account within the Improvement Fund to be held by the Fiscal Agent to be designated the "BART Improvement Account," to the credit of which deposits shall be made as required by Section 12.02. Moneys in the BART Improvement Account shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the Project.

(B) Procedure for Disbursement. Disbursements from the BART Improvement Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B attached hereto which shall:

- (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the City or any other party for Project costs previously paid), and the person to which the disbursement is to be paid;
- (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement; and

- (iii) certify that all disbursements from the Improvement Fund are in compliance with the JCFA or the JCFA (BART).

Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the BART Improvement Account shall be invested in accordance with Section 6.01. Interest earnings and profits from such investment shall be retained in the related fund or accounts to be used for the purpose of such fund or accounts.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund (including the BART Improvement Account), the Fiscal Agent shall transfer the amount, if any, remaining in the BART Improvement Account to the Bond Fund for application to Debt Service payments on the Bonds specified in the Officer's Certificate.

Section 12.05. Limitation on Use of 2019B Bond Proceeds. Because the 2019B Bonds have been designated as Green Bonds, Proceeds of the 2019B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs at the Salesforce Transit Center. In the event that any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Salesforce Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative at the following address:

The Climate Bonds Initiative
72 Muswell Hill Place, London, N10 3RR, United Kingdom
Email: info@climatebonds.net
Attn: Rob Fowler, Head of Certification

Section 4. Attachment of Exhibit E. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit E setting forth the form of the 2019 Bonds, which shall read substantially as set forth in Appendix 1 which is attached hereto and by this reference incorporated herein.

Section 5. Amendment and Restatement of Exhibit B. Exhibit B to the Master Fiscal Agent Agreement is hereby amended and restated in the form attached hereto as Appendix 2.

Section 6. Attachment of Exhibit F. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit F, which shall read substantially as set forth in Appendix 3 which is attached hereto and by this reference incorporated herein.

Section 7. Limitation on Principal Amount of Parity Bonds. Notwithstanding the provisions of Section 5.12 of the Master Fiscal Agent Agreement, following the issuance of the 2019 Bonds, the City will not issue more than \$1,001,535,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 8. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9. Conflict with Act. In the event of a conflict between any provision of this First Supplement to Fiscal Agent Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

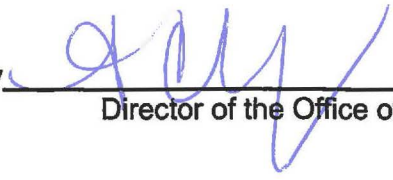
Section 10. Conclusive Evidence of Regularity. 2019 Bonds issued pursuant to this First Supplement to Fiscal Agent Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement. All representations, covenants, warranties and other provisions of the Master Fiscal Agent Agreement, unless specifically amended, modified or supplemented by this First Supplement to Fiscal Agent Agreement, are hereby confirmed as applicable to this First Supplement to Fiscal Agent Agreement. In the event of any conflict between the provisions of this First Supplement to Fiscal Agent Agreement and the Master Fiscal Agent Agreement, the provisions of this First Supplement to Fiscal Agent Agreement shall govern.

Section 12. Counterparts. This First Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this First Supplement to Fiscal Agent Agreement to be executed as of the date first written above..

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By:  _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent


By: _____
Authorized Officer

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this First Supplement to Fiscal Agent Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By _____
Director of the Office of Public Finance

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____

Joni D'Amico
Senior Vice President
Zions Bank Division

APPENDIX 1

EXHIBIT E-1

FORM OF 2019A BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BOND, SERIES 2019A (FEDERALLY TAXABLE)**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2019, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2019 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the

Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$33,655,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. 419-18 of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019 (as supplemented, the "Agreement"), between the City and the Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement): (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) ("2017A Bonds"), (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) ("2017B Bonds"; together with the 2017A Bonds, the "2017 Bonds") and (iii) \$157,310,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds) ("2019B Bonds"). The Bonds and the 2019B Bonds constitute "Related Parity Bonds" under the Agreement and are secured on a parity basis with the 2017 Bonds by a first pledge of all moneys deposited in the Reserve Fund.

The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 2030, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2029, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2019 Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2019A Bonds Maturing September 1, 2034

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2030 | \$670,000 |
| 2031 | 735,000 |
| 2032 | 805,000 |
| 2033 | 875,000 |
| 2034* | 955,000 |

* Maturity

2019A Bonds Maturing September 1, 2039

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2035 | \$1,035,000 |
| 2036 | 1,115,000 |
| 2037 | 1,205,000 |
| 2038 | 1,300,000 |
| 2039* | 1,400,000 |

* Maturity

2019A Bonds Maturing September 1, 2049

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2040 | \$1,495,000 |
| 2041 | 1,610,000 |
| 2042 | 1,730,000 |
| 2043 | 1,850,000 |
| 2044 | 1,970,000 |
| 2045 | 2,110,000 |
| 2046 | 2,250,000 |
| 2047 | 2,400,000 |
| 2048 | 2,550,000 |
| 2049* | 1,220,000 |

* Maturity

Provided, however, if some but not all of the 2019 Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2019 Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2027 | 103% |
| On September 1, 2027 and March 1, 2028 | 102 |
| On September 1, 2028 and March 1, 2029 | 101 |
| On September 1, 2029 and any Interest Payment Date thereafter | 100 |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____
_____, attorney, to transfer the same on the registration books of the Fiscal Agent, with
full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT E-2

FORM OF 2019B BOND

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)**

SPECIAL TAX BOND, SERIES 2019B (FEDERALLY TAXABLE - GREEN BONDS)

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2019, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2019 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior

to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$157,310,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented by Resolution No. 419-18 of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019 (as supplemented, the "Agreement"), between the City and the Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement): (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) (the "2017A Bonds"), (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) (the "2017B Bonds"; together with the 2017A Bonds, the "2017 Bonds") and (iii) \$33,665,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable) (the "2019A Bonds"). The Bonds and the 2019A Bonds constitute "Related Parity Bonds" under the Agreement and are secured on a parity basis with the 2017 Bonds by a first pledge of all moneys deposited in the Reserve Fund.

The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 2030, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2029, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2019 Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at

a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2019B Bonds Maturing September 1, 2039

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2035 | \$4,790,000 |
| 2036 | 5,195,000 |
| 2037 | 5,615,000 |
| 2038 | 6,055,000 |
| 2039* | 6,520,000 |

* Maturity

2019B Bonds Maturing September 1, 2049

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2040 | \$7,020,000 |
| 2041 | 7,540,000 |
| 2042 | 8,090,000 |
| 2043 | 8,670,000 |
| 2044 | 9,290,000 |
| 2045 | 9,935,000 |
| 2046 | 10,605,000 |
| 2047 | 11,320,000 |
| 2048 | 12,070,000 |
| 2049* | 5,770,000 |

* Maturity

Provided, however, if some but not all of the 2019 Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2019 Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2027 | 103% |
| On September 1, 2027 and March 1, 2028 | 102 |
| On September 1, 2028 and March 1, 2029 | 101 |
| On September 1, 2029 and any Interest Payment Date thereafter | 100 |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX 2

EXHIBIT F

\$33,655,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2019A
(FEDERALLY TAXABLE)

\$157,310,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2019B
(FEDERALLY TAXABLE - GREEN BONDS)

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM 2019 COSTS OF ISSUANCE FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), which agreement was supplemented by the First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019 (the "First Supplement"; together with the Master Fiscal Agent Agreement, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent;

(iii) Under Section 12.03 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2019 Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the 2019 Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| PAYEE NAME AND ADDRESS | PURPOSE OF OBLIGATION | AMOUNT |
|-------------------------------|------------------------------|---------------|
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| | | |
| | | |

APPENDIX 3

**AMENDED AND RESTATED
EXHIBIT B**

\$ _____
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES _____

\$ _____
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES _____

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM IMPROVEMENT FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city duly organized and existing under the Constitution and the laws of the State of California (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same.

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), as supplemented from time to time (as supplement, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent.

(iii) The undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund established under the Master Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The proposed requisition from the Improvement Fund and expenditure of such moneys complies with the JCFA and the JCFA (BART).

(v) If the moneys are being requisitioned from the Allocated Bond Proceeds Account, or a subaccount therein, the City hereby represents that the moneys will be used for payment or reimbursement of previous payment of Project costs at the Salesforce Transit Center.

(vi) No portion of the amount herein requested to be disbursed was set forth in any Officers Certificate previously filed requesting disbursement.

Capitalized terms used herein but not defined herein have the meaning given them in the Fiscal Agent Agreement.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| PAYEE NAME AND ADDRESS | PURPOSE OF OBLIGATION | [SPECIFY ACCOUNT OR SUBACCOUNT] |
|-------------------------------|------------------------------|--|
| | | |
| | | |
| | | |
| | | |
| | | |
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| | | |
| | | |
| | | |

* If the moneys are requisitioned from the Allocated Bond Proceeds Account, the moneys will be used for payment or reimbursement of previous payment of Project costs at the Salesforce Transit Center.

SECOND SUPPLEMENT TO FISCAL AGENT AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of May 1, 2020

RELATING TO

**\$81,820,000
CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2020B
(FEDERALLY TAXABLE - GREEN BONDS)**

**SECOND SUPPLEMENT TO FISCAL AGENT AGREEMENT
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DISBURSEMENT FROM 2020B COSTS OF ISSUANCE FUND**

SECOND SUPPLEMENT TO FISCAL AGENT AGREEMENT

THIS SECOND SUPPLEMENT TO FISCAL AGENT AGREEMENT, dated as of May 1, 2020 (the "**Second Supplement to Fiscal Agent Agreement**"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a chartered city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "**CFD**"), and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in Los Angeles, California, as fiscal agent (the "**Fiscal Agent**");

WITNESSETH:

WHEREAS, the Board of Supervisors of the City (the "**Board of Supervisors**") previously conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD, to authorize the levy of special taxes ("**Special Taxes**") upon the land within the CFD and to issue bonds secured by the Special Taxes for financing certain public improvements ("**Facilities**"), all as described in those proceedings; and

WHEREAS, pursuant to Resolution No. 2-15, which was approved by the Board of Supervisors on January 13, 2015 and signed by the Mayor on January 20, 2015 (the "**Original Resolution of Issuance**"), the Board of Supervisors authorized the issuance of up to \$1,400,000,000 of bonded indebtedness and other debt on behalf of the CFD; and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 247-17 (the "**First Supplemental Resolution of Issuance**"), and a Fiscal Agent Agreement, dated as of November 1, 2017 (the "**Master Fiscal Agent Agreement**"; as supplemented, the "**Agreement**"), the City previously issued the following special tax bonds on behalf of the CFD (collectively, the "**2017 Bonds**");

- (i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable), and
- (ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds); and

WHEREAS, under the Original Resolution of Issuance as supplemented by Resolution No. 419-18 (the "**Second Supplemental Resolution of Issuance**"), and the Master Fiscal Agent Agreement, as supplemented by a First Supplement to Fiscal Agent Agreement, dated as of February 1, 2019 (the "**First Supplement to Fiscal Agent Agreement**"), the City previously issued the following special tax bonds on behalf of the CFD (collectively, the "**2019 Bonds**") as Parity Bonds and Related Parity Bonds:

- (i) \$33,655,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable), and
- (ii) \$157,310,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds); and

WHEREAS, the City wishes to provide for the issuance of one series of Parity Bonds as Related Parity Bonds (as defined in the Master Fiscal Agent Agreement) on behalf of the CFD under Section 3.06 of the Master Fiscal Agent Agreement for the purpose of paying for the costs of acquiring and constructing the Facilities, which Parity Bonds shall be entitled “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds)” (the “**2020B Bonds**”); and

WHEREAS, Proceeds of the 2020B Bonds are expected to be used to finance the following improvements (the “**Transbay Facilities**”): (i) the planning, design, engineering and construction of an extension of the Caltrain rail tracks to the Salesforce Transit Center to accommodate Caltrain and California High Speed Rail, including the train components of the Salesforce Transit Center building and associated systems and (ii) the planning, design, engineering and construction of open space on the roof of the Salesforce Transit Center; and

WHEREAS, under the JCFA, the City is generally obligated to make available approximately 82.6% of the Special Tax Proceeds (as defined in the JCFA) to finance the Transbay Facilities and to cause the deposit of bond proceeds allocable to contribute toward the cost of the Transbay Facilities into the Allocated Bonds Proceeds Account; and

WHEREAS, the City intends the deposit of Proceeds of the 2020B Bonds into the Allocated Bond Proceeds Account to meet its obligation to make available approximately 82.6% of the Special Tax Proceeds to finance the Transbay Facilities; and

WHEREAS, a portion of the Proceeds of the 2020B Bonds deposited into the Allocated Bond Proceeds Account will be used to prepay certain advances (“**Advances**”) made by Wells Fargo Bank, National Association (“**Wells Fargo**”) under a Certificate Purchase Agreement, dated as of January 1, 2017, as amended by a First Amendment to Certificate Purchase Agreement, dated January 10, 2020, between the City and Wells Fargo (as supplemented, the “**Purchase Agreement**”), and, as a result, cause the prepayment of a corresponding amount of City and County of San Francisco Lease Revenue Direct Placement Certificates of Participation, Series A (the “**Lease Revenue Certificates**”), which were executed and delivered to finance the Transbay Facilities pursuant to a Trust Agreement, dated as of January 1, 2017 (the “**Lease Trust Agreement**”) between the City and U.S. Bank National Association, as trustee (the “**Lease Trustee**”); and

WHEREAS, under the Purchase Agreement, the Lease Revenue Certificates may be prepaid on any Business Day if the City has given Wells Fargo at least three Business Days’ (as defined in the Purchase Agreement) prior written notice; and

WHEREAS, Section 8.01(B)(v) of the Master Fiscal Agent Agreement provides that the Master Fiscal Agent Agreement and the rights and obligations of the City and of the Owners may be modified or amended at any time by a Supplemental Agreement in connection with the issuance of Parity Bonds, without the consent of any Owners, but with the written consent of the

Fiscal Agent, after the Fiscal Agent has been furnished an opinion of counsel that the amendment is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, the Fiscal Agent has received an opinion of counsel that this Second Supplement to Fiscal Agent Agreement, to the extent it amends the Master Fiscal Agent Agreement as described in the preceding Whereas clause, is consistent with Section 8.01 of the Master Fiscal Agent Agreement; and

WHEREAS, on April 28, 2020, the Board of Supervisors adopted Resolution No. 172-20 (the “**Third Supplemental Resolution of Issuance**”; together with the Original Resolution of Issuance, the First Supplemental Resolution of Issuance and the Second Supplemental Resolution of Issuance, the “**Resolution of Issuance**”) authorizing the issuance of the 2020B Bonds for and on behalf of the CFD (which Third Supplemental Resolution of Issuance was signed by the Mayor on May 1, 2020); and

WHEREAS, in order to provide for the authentication and delivery of the 2020B Bonds, to establish and declare the terms and conditions upon which the 2020B Bonds are to be issued and to secure the 2020B Bonds by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds and the outstanding 2019 Bonds, the Board of Supervisors has authorized the execution and delivery of this Second Supplement to Fiscal Agent Agreement; and

WHEREAS, it is in the public interest and for the benefit of the City, the CFD and the persons responsible for the payment of special taxes that the City enter into this Second Supplement to Fiscal Agent Agreement to provide for the issuance of the 2020B Bonds hereunder to finance the acquisition and construction of facilities for the CFD and to provide for the disbursement of Proceeds of the 2020B Bonds, the disposition of the special taxes securing the 2020B Bonds and the administration and payment of the 2020B Bonds; and

WHEREAS, the City has determined that all acts and proceedings required by law and the Master Fiscal Agent Agreement necessary to make the 2020B Bonds, when executed by the City, authenticated and delivered by the Fiscal Agent and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Second Supplement to Fiscal Agent Agreement a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Second Supplement to Fiscal Agent Agreement have been in all respects duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Authorization. Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this Second Supplement to Fiscal Agent Agreement and has taken all actions necessary to authorize the execution of this Second Supplement to Fiscal Agent Agreement by the officers and persons signing it.

Section 2. Equal Security. As Parity Bonds issued pursuant to Section 3.06 of the Master Fiscal Agent Agreement, the 2020B Bonds shall be secured by a lien and charge upon the Special Taxes and the respective funds and accounts established under the Master Fiscal Agent Agreement equal to and on a parity with the lien and charge securing the outstanding 2017 Bonds.

In addition, as Related Parity Bonds, the 2020B Bonds shall be secured by a first pledge of all moneys deposited in the Reserve Fund. The moneys in the Reserve Fund (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the 2017 Bonds, the 2019 Bonds, the 2020B Bonds and all Related Parity Bonds as provided in the Agreement and in the Act until all of the 2017 Bonds, the 2019 Bonds, the 2020B Bonds and all related Parity Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose under Section 9.03.

Section 3. Supplement to Master Fiscal Agent Agreement. In accordance with the provisions of Section 8.01(v) of the Master Fiscal Agent Agreement, the Master Fiscal Agent Agreement is hereby amended by adding a supplement thereto consisting of new articles to be designated as Article XIII, XIV and XV. Such Articles shall read in their entirety as follows:

ARTICLE XIII

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2020B BONDS; EQUAL SECURITY

Section 13.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of Articles XIII, XIV and XV and for other purposes of this Agreement, to the extent applicable, have the respective meanings specified in this Section 13.01. All terms used in Articles XIII, XIV and XV and not otherwise defined in this Section 13.01 shall have the respective meanings given to such terms in Section 1.03 of the Agreement.

“**Closing Date**” means the date of initial issuance and delivery of the 2020B Bonds hereunder.

“**Interest Payment Date**” for the 2020B Bonds means March 1 and September 1 of each year, commencing September 1, 2020.

“**Original Purchaser**” and “**Participating Underwriter**” means Stifel, Nicolaus & Company, Incorporated, Citigroup Global Markets Inc. and Stinson Securities, LLC, as the first purchasers of the 2020B Bonds from the City.

“**2017 Bonds**” means the 2017A Bonds and the 2017B Bonds.

“2017A Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable).

“2017B Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds).

“2019 Bonds” means the 2019A Bonds and the 2019B Bonds.

“2019A Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable).

“2019B Bonds” means the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds).

“2020B Bonds” means the Bonds so designated and authorized to be issued under Section 14.01 hereof.

“2020B Capitalized Interest Account” means the account within the Bond Fund that is established pursuant to Section 15.02.

“2020B Costs of Issuance Fund” means the fund designated the “2020B Costs of Issuance Fund” which fund is established pursuant to Section 14.03.

2020B Term Bonds means the 2020B Bonds maturing on September 1, 2040, September 1, 2045 and September 1, 2050.

Section 13.02. Rules of Construction. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE XIV

ISSUANCE OF 2020B BONDS

Section 14.01. Terms of 2020B Bonds.

(A) Principal Amount; Designation. The 2020B Bonds shall be designated the “City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds),” shall be issued in the aggregate principal amount of Eighty-One Million Eight Hundred Twenty Thousand Dollars (\$81,820,000) and are hereby authorized to be issued by the City under and subject to the Resolution of Issuance, the Act, other applicable laws of the State of California and the terms of the Agreement.

(B) Maturity Dates; Interest Rates. The 2020B Bonds shall be dated the Closing Date, issued in fully registered form without coupons in denominations of \$5,000, and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

| <u>Maturity</u> <u>(September 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> |
|---|-----------------------------------|--------------------------------|
| 2021 | \$830,000 | 1.309% |
| 2022 | 930,000 | 1.479 |
| 2023 | 1,010,000 | 1.683 |
| 2024 | 1,100,000 | 1.844 |
| 2025 | 1,190,000 | 1.994 |
| 2026 | 1,295,000 | 2.236 |
| 2027 | 1,400,000 | 2.306 |
| 2028 | 1,510,000 | 2.451 |
| 2029 | 1,625,000 | 2.551 |
| 2030 | 1,745,000 | 2.601 |
| 2031 | 1,875,000 | 2.701 |
| 2032 | 2,010,000 | 2.801 |
| 2033 | 2,155,000 | 2.901 |
| 2034 | 2,305,000 | 2.941 |
| 2035 | 2,465,000 | 2.991 |
| 2040 (T) | 15,015,000 | 3.222 |
| 2045 (T) | 20,455,000 | 3.502 |
| 2050 (T) | 22,905,000 | 3.572 |

(T)=2020B Term Bond

(C) Form; Denominations; Authentication. The 2020B Bonds shall be issued as fully registered Bonds without coupons. The 2020B Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent. The 2020B Bonds shall be issued in the denominations of \$5,000 or any integral multiple in excess thereof.

The 2020B Bonds, the Fiscal Agent's certificate of authentication and the assignment, to appear thereon, shall be substantially in the form set forth in Exhibit G attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Act.

(D) CUSIP Identification Numbers. "CUSIP" identification numbers may, at the election of the Original Purchaser of the 2020B Bonds, be imprinted on the 2020B Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2020B Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2020B Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(E) Interest. The 2020B Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest on all 2020B Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2020B Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Dated Date; provided, however, that if at the time of authentication of a 2020B Bond, interest is in default thereon, such 2020B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2020B Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer to an account located in the United States of America made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of 2020B Bonds delivered to the Fiscal Agent prior to the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such 2020B Bonds are transferred to a new Owner. The interest, principal of and any premium on the 2020B Bonds are payable in lawful money of the United States of America, with principal and any premium payable upon surrender of the 2020B Bonds at the Principal Office of the Fiscal Agent. All 2020B Bonds paid by the Fiscal Agent pursuant this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2020B Bonds and issue a certificate of destruction of such Bonds to the City.

Section 14.02. Other Terms of the Bonds. Except as otherwise set forth in this Article XIV, Sections 2.05-2.10 shall govern the 2020B Bonds.

Section 14.03. Redemption of 2020B Bonds.

(A) Optional Redemption. The 2020B Bonds maturing on or after September 1, 2031, are subject to redemption prior to their stated maturities, on any date on and after

September 1, 2030, in whole or in part, at a redemption price equal to the principal amount of the 2020B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(B) Mandatory Sinking Fund Redemption. The 2020B Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, without premium, in the aggregate respective principal amounts all as set forth in the following table:

2020B Bonds Maturing September 1, 2040

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2036 | \$2,625,000 |
| 2037 | 2,805,000 |
| 2038 | 2,995,000 |
| 2039 | 3,190,000 |
| 2040* | 3,400,000 |

* Maturity

2020B Bonds Maturing September 1, 2045

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2041 | \$3,615,000 |
| 2042 | 3,840,000 |
| 2043 | 4,080,000 |
| 2044 | 4,330,000 |
| 2045* | 4,590,000 |

* Maturity

2020B Bonds Maturing September 1, 2050

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2046 | \$4,865,000 |
| 2047 | 5,150,000 |
| 2048 | 5,450,000 |
| 2049 | 5,765,000 |
| 2050* | 1,675,000 |

* Maturity

Provided, however, if some but not all of the 2020B Term Bonds have been redeemed under subsection (A) above or subsection (C) below, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of 2020B Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the City to the Fiscal Agent.

(C) Redemption from Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 15.06(F) shall be used to redeem 2020B Bonds on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D)(i), among series and maturities as provided in Section 2.03(D)(iii), at a redemption price (expressed as a percentage of the principal amount of the 2020B Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2028 | 103% |
| On September 1, 2028 and March 1, 2029 | 102 |
| On September 1, 2029 and March 1, 2030 | 101 |
| On September 1, 2030 and any Interest Payment Date thereafter | 100 |

(D) Notice to Fiscal Agent. The City shall give the Fiscal Agent written notice of its intention to redeem Bonds under Section 14.03 (A) and (C) not less than forty-five (45) days prior to the applicable redemption date or such lesser number of days as shall be allowed by the Fiscal Agent.

(E) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 14.03, moneys in the Bond Fund or other funds provided by the City may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2020B Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2020B Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2020B Bonds were to be redeemed in accordance with this Agreement. Any 2020B Bonds purchased pursuant to this Section 14.03(E) shall be treated as outstanding 2020B Bonds under this Fiscal Agent Agreement, except to the extent otherwise directed by the Finance Director.

(F) Redemption Procedure by Fiscal Agent. The provisions of Section 2.03(D) shall govern the procedure for redemption of the 2020B Bonds.

(G) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2020B Bonds so called for redemption shall have been deposited in the Bond Fund, such 2020B Bonds so called shall cease to be entitled to any benefit under the Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in the notice of redemption. All 2020B Bonds redeemed by the Fiscal Agent under this Section 14.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2020B Bonds in accordance with the Fiscal Agent's retention policy then in effect.

Section 14.04. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City on the Closing Date relating to the 2020B Bonds. Notwithstanding any other provision of the Master Fiscal Agent Agreement or this Second Supplement to Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Fiscal Agent shall, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2020B Bonds, and upon receipt of indemnity satisfactory to the Fiscal Agent, or any holder or beneficial owner of the 2020B Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

ARTICLE XV

ISSUE OF 2020B BONDS

Section 15.01. Issuance of 2020B Bonds. Upon the execution and delivery of the Second Supplement to Fiscal Agent Agreement and satisfaction of the requirements for issuance of Parity Bonds under Section 3.06, the City shall execute and deliver the 2020B Bonds in the aggregate principal amount set forth in Section 14.01 to the Fiscal Agent for authentication and delivery to the Original Purchaser thereof upon receipt by the Fiscal Agent of an Officer's Certificate requesting authentication and delivery.

The Authorized Officers of the City are hereby authorized and directed to execute and deliver any and all documents and instruments necessary to cause the issuance of the 2020B Bonds in accordance with the provisions of the Act, the Resolution of Issuance and this Agreement, to authorize the payment of Costs of Issuance and costs of the Project by the Fiscal Agent from the Proceeds of the 2020B Bonds and to do and cause to be done any and all acts and things necessary or convenient for the timely delivery of the 2020B Bonds to the Original Purchaser.

The Fiscal Agent is hereby authorized and directed to authenticate the 2020B Bonds and deliver them to the Original Purchaser, upon receipt of the purchase price for the 2020B Bonds.

Section 15.02. Application of Proceeds of Sale of 2020B Bonds. The Proceeds of the 2020B Bonds received from the Original Purchaser in the amount of \$81,422,942.00 (which is equal to the principal amount of the 2020B Bonds, less an underwriter's discount of \$397,058.00), shall be paid to the Fiscal Agent, which shall deposit the Proceeds on the Closing Date, as follows:

- (i) \$751,246.81 into the 2020B Costs of Issuance Fund;
- (ii) \$4,446,674.40 into the Reserve Fund;
- (iii) \$225,020.79 into the Bond Fund maintained and administered by the Fiscal Agent in accordance with Section 4.04 (which shall represent capitalized interest and be deposited into a 2020B Capitalized Interest Account, which is hereby established); and
- (iv) \$76,000,000.00 into the Allocated Bond Proceeds Account maintained and administered by the Fiscal Agent in accordance with Section 4.07 of the Master Fiscal Agent Agreement. Of this amount, upon receipt of an executed requisition substantially in the form of Exhibit B, the Fiscal Agent will transfer \$76,000,000.00 to the Lease Trustee to prepay the principal amount of the Advances and prepay a corresponding principal amount of the Lease Revenue Certificates.

Amounts on deposit in the 2020B Capitalized Interest Account shall be used and withdrawn by the Fiscal Agent solely for the payment of interest on the 2020B Bonds on September 1, 2020. When the amount in the 2020B Capitalized Interest Account is fully expended for the payment of interest, the account shall be closed.

Section 15.03. 2020B Costs of Issuance Fund.

(A) Establishment of 2020B Costs of Issuance Fund. The 2020B Costs of Issuance Fund is hereby established as a separate fund to be held by the Fiscal Agent, to the credit of which deposit shall be made as required by Section 15.02. Moneys in the 2020B Costs of Issuance Fund shall be held by the Fiscal Agent for the benefit of the City and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the 2020B Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance attributable to the issuance of the 2020B Bonds, as set forth in a requisition substantially in the form of Exhibit F hereto, executed by the Finance Director, containing respective amounts to be paid to the designated payees and delivered to the Fiscal Agent. Each such requisition shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the 2020B Costs of Issuance Fund shall be invested and deposited by the Fiscal Agent under Section 6.01. Interest earnings and profits resulting from such investment shall be retained by the Fiscal Agent in the 2020B Costs of Issuance Fund to be used for the purposes of such fund.

(D) Closing of Fund. The Fiscal Agent shall maintain the 2020B Costs of Issuance Fund for a period of 90 days from the Closing Date and then the Fiscal Agent shall deposit any moneys remaining therein, including any investment earnings thereon, into the 2017A Improvement Account.

Section 15.04. Limitation on Use of 2020B Bond Proceeds. Because the 2020B Bonds have been designated as Green Bonds, Proceeds of the 2020B Bonds in the Allocated Bond Proceeds Account shall be spent only on Project costs at the Salesforce Transit Center. In the event that any moneys in the Allocated Bond Proceeds Account are not spent on Project costs at the Salesforce Transit Center, the City shall, within thirty (30) days after such expenditure, provide written notice of such expenditure to The Climate Bonds Initiative at the following address:

The Climate Bonds Initiative
72 Muswell Hill Place, London, N10 3RR, United Kingdom
Email: info@climatebonds.net
Attn: Rob Fowler, Head of Certification

Section 4. Attachment of Exhibit G. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit G setting forth the form of the 2020B Bonds, which shall read substantially as set forth in Appendix 1 which is attached hereto and by this reference incorporated herein.

Section 5. Attachment of Exhibit H. The Master Fiscal Agent Agreement is hereby further amended by attaching thereto and incorporating therein an Exhibit H, which shall read substantially as set forth in Appendix 2 which is attached hereto and by this reference incorporated herein.

Section 6. Limitation on Principal Amount of Parity Bonds. Notwithstanding the provisions of Section 5.12 of the Master Fiscal Agent Agreement, following the issuance of the 2020B Bonds, the City will not issue more than \$919,715,000 initial principal amount of Parity Bonds (exclusive of any Refunding Bonds).

Section 7. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 8. Conflict with Act. In the event of a conflict between any provision of this Second Supplement to Fiscal Agent Agreement and any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9. Conclusive Evidence of Regularity. 2020B Bonds issued pursuant to this Second Supplement to Fiscal Agent Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

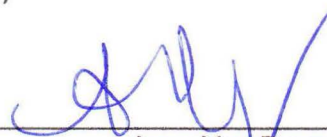
Section 10. Confirmation of Master Fiscal Agent Agreement; Conflict With Master Fiscal Agent Agreement. All representations, covenants, warranties and other provisions of the Master Fiscal Agent Agreement, unless specifically amended, modified or supplemented by this Second Supplement to Fiscal Agent Agreement, are hereby confirmed as applicable to this Second Supplement to Fiscal Agent Agreement. In the event of any conflict between the provisions of this Second Supplement to Fiscal Agent Agreement and the Master Fiscal Agent Agreement, the provisions of this Second Supplement to Fiscal Agent Agreement shall govern.

Section 11. Counterparts. This Second Supplement to Fiscal Agent Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 12. Electronic Signatures. Any signature (including any electronic symbol or process attached to, or associated with, a contract or other record and adopted by a Person with the intent to sign, authenticate or accept such contract or record) hereto or to any other certificate, agreement or document related to this transaction, and any contract formation or record-keeping through electronic means shall have the same legal validity and enforceability as a manually executed signature or use of a paper-based recordkeeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the California Uniform Electronic Transaction Act, Government Code Section 16.5, or any similar state law, and the parties hereby waive any objection to the contrary.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Second Supplement to Fiscal Agent Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By: 

Anna Van Degna
Director of the Office of Public Finance

**ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,**
as Fiscal Agent

By: _____
Joni D'Amico
Senior Vice President
Zions Bank Division

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Second Supplement to Fiscal Agent Agreement to be executed as of the date first written above.

CITY AND COUNTY OF SAN FRANCISCO,
for and on behalf of
City and County of San Francisco Community
Facilities District No. 2014-1 (Transbay Transit
Center)

By: _____
Anna Van Degna
Director of the Office of Public Finance

**ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,**
as Fiscal Agent

By: _____

Joni D'Amico
Senior Vice President
Zions Bank Division

APPENDIX 1

**EXHIBIT G
FORM OF 2020B BOND**

No. ____

\$_____

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BOND, SERIES 2020B
(FEDERALLY TAXABLE - GREEN BONDS)**

INTEREST RATE

MATURITY DATE

DATED DATE

_____%

September 1, _____

May 14, 2020

REGISTERED OWNER:

PRINCIPAL AMOUNT:

*****DOLLARS

The City and County of San Francisco (the "City") for and on behalf of the "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center)" (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from Dated Date set forth above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for (unless this Bond is authenticated on or before an Interest Payment Date (as hereinafter defined) and after the close of business on the Record Date (as hereinafter defined) preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2020, in which event it shall bear interest from the Dated Date identified above, payable semiannually on each March 1 and September 1, commencing September 1, 2020 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of and interest on the Bonds (including the final interest payment upon maturity or earlier redemption), is payable on the applicable Interest Payment Date by check of the Fiscal Agent (defined below) mailed by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer

made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds delivered to the Fiscal Agent prior to the applicable Record Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent or such other place as designated by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$81,820,000 approved by Resolution No. 2-15 of the Board of Supervisors of the City, as supplemented, including by Resolution No. 172-20 of the Board of Supervisors of the City (together, the "Resolution"), under the Mello-Roos Community Facilities Act of 1982, as amended, sections 53311, *et seq.*, of the California Government Code (the "Act") for the purpose of funding certain facilities for the CFD, and is one of the series of bonds designated "City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2020B (Federally Taxable - Green Bonds)" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of November 1, 2017, as supplemented, including by a Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (as supplemented, the "Agreement"), between the City and the Zions Bancorporation, National Association (the "Fiscal Agent") and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Resolution and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Act to be collected within the CFD (the "Special Tax") and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds are payable from Special Tax Revenues (as defined in the Agreement) on a parity basis with the following outstanding Parity Bonds (as defined in the Agreement):

(i) \$36,095,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017A (Federally Taxable) (the "2017A Bonds"),

(ii) \$171,405,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2017B (Federally Taxable - Green Bonds) (the "2017B Bonds"; together with the 2017A Bonds, the "2017 Bonds"),

(iii) \$33,665,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019A (Federally Taxable) (the "2019A Bonds") and

(iv) \$157,310,000 City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2019B (Federally Taxable - Green Bonds) (the "2019B Bonds"; together with the 2019A Bonds, the "2019 Bonds"),

In addition, the Bonds, the 2017 Bonds and the 2019 Bonds constitute "Related Parity Bonds" under the Agreement and are secured on a parity basis by a first pledge of all moneys deposited in the Reserve Fund.

The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. Neither the faith and credit nor the taxing power of the City (except to the limited extent set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Optional Redemption. The Bonds maturing on or after September 1, 2031, are subject to redemption prior to their stated maturities, on any date on and after September 1, 2030, in whole or in part, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, from sinking fund payments made by the City from the Bond Fund, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts all as set forth in the following table:

Bonds Maturing September 1, 2040

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2036 | \$2,625,000 |
| 2037 | 2,805,000 |
| 2038 | 2,995,000 |
| 2039 | 3,190,000 |
| 2040* | 3,400,000 |

* Maturity

Bonds Maturing September 1, 2045

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2041 | \$3,615,000 |
| 2042 | 3,840,000 |
| 2043 | 4,080,000 |
| 2044 | 4,330,000 |
| 2045* | 4,590,000 |

* Maturity

Bonds Maturing September 1, 2050

| Sinking Fund Redemption Date (September 1) | Principal Amount Subject to Redemption |
|--|---|
| 2046 | \$4,865,000 |
| 2047 | 5,150,000 |
| 2048 | 5,450,000 |
| 2049 | 5,765,000 |
| 2050* | 1,675,000 |

* Maturity

Provided, however, if some but not all of the Term Bonds have been redeemed as a result of an optional redemption or a mandatory redemption, the total amount of all future Sinking Fund Payments shall be reduced by the aggregate principal amount of Term Bonds so redeemed, to be allocated among such Sinking Fund Payments on a pro rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which determination (which shall consist of a revised sinking fund schedule) shall be given by the Fiscal Agent to the City.

Redemption From Special Tax Prepayments. The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement on any Interest Payment Date, among series and maturities so as to maintain substantially the same debt service profile as in effect prior to such redemption and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|---|-------------------------|
| Any Interest Payment Date on or before March 1, 2028 | 103% |
| On September 1, 2028 and March 1, 2029 | 102 |
| On September 1, 2029 and March 1, 2030 | 101 |
| On September 1, 2030 and any Interest Payment Date thereafter | 100 |

Under the terms of the Agreement, in the event the City pays and discharges the entire indebtedness on all or any portion on the Bonds Outstanding (as such term is defined therein) in one or more of the ways specified therein, the pledge of the Special Taxes and other funds provided for in the Agreement and all other obligations of the City under the Agreement with respect to such Bonds shall cease and terminate.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. The City has the right to rescind any notice of the optional redemption of Bonds by written notice to the Fiscal Agent on or prior to the date fixed for redemption as further described in the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal

Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made in the circumstances set forth in the Fiscal Agent Agreement.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED by the City that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Fiscal Agent for registration of transfer, exchange, or payment, and any 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.

IN WITNESS WHEREOF, City and County of San Francisco has caused this Bond to be signed by the manual signature of its Mayor and countersigned by the signature of the Clerk of the Board of Supervisors with the seal of the City imprinted hereon.

[S E A L]

Clerk of the Board of Supervisors

Mayor

[FORM OF FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the Agreement which has been authenticated on _____, 20__.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

NOTICE: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

APPENDIX 2

EXHIBIT H

\$81,820,000

CITY AND COUNTY OF SAN FRANCISCO
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(TRANSBAY TRANSIT CENTER)
SPECIAL TAX BONDS, SERIES 2020B
(FEDERALLY TAXABLE - GREEN BONDS)

OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT FROM 2020B COSTS OF ISSUANCE FUND

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Director of the Office of Public Finance of the City and County of San Francisco, a chartered city and county duly organized and existing under the Constitution and the laws of the State of California (the "City"), and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2017 (the "Master Fiscal Agent Agreement"), by and between the City and Zions Bancorporation, National Association, as fiscal agent (the "Fiscal Agent"), which agreement has been supplemented, including by the Second Supplement to Fiscal Agent Agreement, dated as of May 1, 2020 (the "Second Supplement"; together with the Master Fiscal Agent Agreement as previously supplemented, the "Fiscal Agent Agreement") by and between the City and the Fiscal Agent;

(iii) Under Section 15.03 of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the 2020B Costs of Issuance Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth in an invoice submitted by each such payee but no more than the amount set forth opposite such payee, for payment or reimbursement of previous payment of Costs of Issuance (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A. Payments shall be made by check or wire transfer in accordance with the payment instructions set forth on Schedule A (or the invoice attached thereto) and the Fiscal Agent shall rely on such payment instructions as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein or the authority under which they were given.

(iv) The disbursements described on the attached Schedule A constitute Costs of Issuance, and are properly chargeable to the 2020B Costs of Issuance Fund.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Director of the Office of Public Finance

SCHEDULE A

| PAYEE NAME AND ADDRESS | PURPOSE OF OBLIGATION | AMOUNT |
|-------------------------------|------------------------------|---------------|
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OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO


Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance
Luke Brewer, Controller's Office of Public Finance 

DATE: Monday, July 26, 2021

SUBJECT: Resolution Authorizing the Issuance of Special Tax Bonds – Community Facilities District No. 2014-1 (Transbay Transit Center) - Not to Exceed Principal Amount of \$35,000,000 and approving related documents

Recommended Action

We respectfully request that the Board of Supervisors ("Board") consider for review and approval the resolution ("Resolution") to authorize the issuance of not to exceed \$35 million of Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2021B ("2021 Bonds") and other matters related thereto.

Background

Over the past decade, the City engaged in several efforts to plan for future development and construction of public infrastructure for the area surrounding the Salesforce Transit Center ("Transit Center") and the Downtown Rail Extension ("DTX", which involves the extension of the Caltrain rail tracks to the Transit Center to accommodate Caltrain and California High Speed Rail), as further described below. In 2005, the Transbay Redevelopment Project Area was adopted with the purpose of redeveloping property formerly owned by the State of California and to generate funding sources to assist the Transbay Joint Powers Authority ("TJPA") in the construction of the new Transit Center and the DTX).

In 2012, the City adopted the Transit Center District Plan ("TCDP") after a multi-year public planning process. The TCDP is a comprehensive plan to respond to and support the construction of the Transit Center and the DTX. In adopting the TCDP, the Board authorized the formation of a Mello-Roos Community Facilities District ("CFD") within the TCDP boundary for new large developments to provide funding for the Transit Center, the DTX, and other public infrastructure necessary to support the growth and development of the neighborhood ("Transbay Program").

In 2014, the City approved the formation of CFD No. 2014-1 and in 2015, the City approved the levy and collection of special taxes within the CFD and authorized bonded indebtedness for the CFD in an aggregate principal amount of \$1.4 billion.

Pursuant to a Joint Community Facilities Agreement between the City and TJPA, 82.6% of the CFD special tax proceeds are allocated to fund a portion of the Transbay Program, including DTX, the train-related components of the Transit Center (“Train Box”) and the rooftop park. The remaining 17.4% of CFD special tax proceeds will fund a variety of public infrastructure projects. To date, funds have been allocated for streetscape enhancements within the CFD, as well as open space, capacity enhancements for Embarcadero and Montgomery Bay Area Rapid Transit District (“BART”) stations, and a congestion pricing study for the San Francisco County Transportation Authority (“CTA”).

The Special Tax Bonds of CFD No. 2014-1

In November 2017, the City, on behalf of the CFD, issued its first series of Special Tax Bonds (Series 2017A and 2017B) in the aggregate principal amount of \$207.5 million. In February 2019, the second series of Special Tax Bonds (Series 2019A and 2019B) were issued in the aggregate principal amount of \$191.0 million. In May 2020, a third series of Special Tax Bonds (Series 2020B) were issued in the principal amount of \$81.8 million. To date, \$480.3 million of bonds have been issued of which \$428.8 million of bond proceeds have been generated for capital projects with the balance used to fund an allocable share of the debt service reserve fund that provides security for all of the outstanding Special Tax Bonds, pay the costs of issuance for each series and fund other related costs primarily consisting of capitalized interest for each series. The Resolution presently before the Board authorizes the issuance of a fourth issuance of Special Tax Bonds (“2021 Bonds”) in a principal amount not to exceed \$35.0 million. The bond sale is proposed for Fall 2021. The bond funds will enable TJPA to complete DTX project development activities, as required by the Federal Transit Administration (FTA) in advance of applying for federal grant funds, including preliminary design, cost estimation, risk analysis, and other technical work.

Plan of Finance and Use of Proceeds

Use of Proceeds

Proceeds of the 2021 Bonds will be used to (i) finance a portion of the planning, design and pre-construction costs for DTX, (ii) fund an allocable share of the debt service reserve fund for the 2021 Bonds, and (iii) finance costs of issuance. More specifically, it is anticipated that \$30 million 2021 Bond proceeds and approximately \$12 million of CFD special taxes on-hand will fund DTX project development, ROW acquisition and other programmatic costs planned in fiscal years 2021-22 and 2022-23.

Table 1 below outlines anticipated sources and uses for the 2021 Bonds, based on market conditions as of June 24, 2021, as further described below.

Table 1: Estimated Sources & Uses of the 2021 Bonds

| <u>Sources:</u> | |
|-------------------------------|---------------------|
| 2021 Bond Proceeds | |
| Estimated Par Amount | \$33,640,000 |
| Total Sources | \$33,640,000 |
| <u>Uses:</u> | |
| Improvement Fund | \$30,040,000 |
| Debt Service Reserve Fund | 2,509,312 |
| <u>Delivery Date Expenses</u> | |
| Cost of Issuance | \$754,288 |
| Underwriter's Discount | 336,400 |
| Total Uses | \$33,640,000 |

Source: Del Rio Advisors, LLC

Interest Rate; Projected Debt Service

Based upon market conditions as of June 24, 2021 (assuming a 29-year term and that the 2021 Bonds are issued on a taxable basis), staff estimates: (i) a principal amount of \$33.64 million, (ii) a true interest cost of 3.12%, (iii) average annual debt service of \$1.9 million and (v) debt service over the life of the 2021 Bonds of \$55.7 million. The authorized amount above the expected par amount of \$33.64 million allows for market premium as a result of prevailing interest rates as well as additional market reserves to due fluctuations in market conditions from the date of authorization by the Board of Supervisors to the time of the sale of the 2021 Bonds. Attachment 2 provides good faith estimates for the Bonds, as required under Government Code §5852.1.

Negotiated Sale of the 2021 Bonds, Underwriters

Given the unique credit characteristics associated with the special tax bonds, a negotiated sale is planned in connection with this transaction. The 2021 Bonds will be repaid from special tax revenues from specific projects and are outside of the City’s customary credit profile. Through a competitive Request for Proposals (“RFP”) process, Stifel, Nicolaus & Company, Incorporated was selected to serve as Senior Underwriter and Piper Sandler & Co. was selected to serve as Co-underwriter (together, the “Underwriters”). The Underwriters that were selected via the RFP process are in the City’s Underwriter Pool, which was also established via a competitive process. The proposed Resolution approves the form of the Bond Purchase Agreement, which provides the terms of sale of the 2021 Bonds by the City to the Underwriters.

Security

The 2021 Bonds will be secured by a pledge of the special tax revenues collected in the CFD and will be issued on parity with the special tax bonds issued in 2017, 2019 and 2020. Special taxes are only levied on property in the CFD for which both a Certificate of Occupancy and Tax Commencement Authorization have been issued and may only be levied on a specific taxable property for 30 years (the maximum duration of the CFD is 75 years after the initial special tax levy). There are currently 9 completed buildings subject to the special tax levy. The fiscal year 2021-22 estimated tax levy is expected to generate annual special taxes of \$29.5 million.

“Green Bond” Designation

As it did with the prior issuances of special tax bonds for Transit Center costs, the City may designate the 2021 Bonds as “Green Bonds” since the proceeds will be used to finance environmentally beneficial projects (“Green Projects”).

4 | Resolution Authorizing the Issuance of Transbay CFD 2014-1 Special Tax Bonds

Capital Plan

The 2021 Bonds are limited obligations of the City. They are payable solely from the special tax revenues within the CFD. Therefore, this transaction is not subject to the policy constraints of the Capital Plan.

Teeter Plan

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (“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 Controller to allocate to taxing agencies located in the City 100% of the secured property taxes billed but not yet collected. In return, as any delinquent property taxes and associated penalties and interest are collected, the City’s General Fund retains such amounts. In November 2017, in connection with the approval of the first issuance of CFD Bonds, the Board approved participation of the CFD in the Teeter Plan. The net effect of Teeter Plan participation is the receipt of 100% of special tax revenues each year which is used to pay debt service on the 2021 Bonds and fund PAYGO project costs. Teeter Plan participation helps to provide consistent cash flow and helps to enhance the credit of the 2021 Bonds, resulting in a lower interest cost on the 2021 Bonds.

Anticipated Financing Timeline

The Resolution is expected to be introduced at the Board of Supervisors meeting on Tuesday, July 27, 2021, and the forms of the related financing documents—including the Third Supplement to the Fiscal Agent Agreement, the Preliminary Official Statement, the Continuing Disclosure Certificate and other related documents, as further described in Attachment 1—will be submitted to the Board at that time.

Milestones

Dates*

- | | |
|--|--------------------|
| • Introduction of Resolution to the Board of Supervisors | July 27, 2021 |
| • Presentation to the Capital Planning Committee | August 16, 2021 |
| • Budget & Finance Committee Hearing | September 8, 2021 |
| • Board Considers Approval of Resolution | September 14, 2021 |
| • Sale and Closing of the 2021 Bonds | November 2021 |

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org) at 415-554-5956 or Luke Brewer (luke.brewer@sfgov.org) at 415-554-7693 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor’s Office
Ashley Groffenberger, Mayor’s Budget Director
Ben Rosenfield, Controller
Carmen Chu, City Administrator
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Nila Gonzales, Interim Executive Director, TJPA
Tilly Chang, Executive Director San Francisco County Transportation Authority

Attachment 1

ADDITIONAL INFORMATION

The legislation is expected to be introduced at the Board of Supervisors meeting on July 27, 2021. The forms of the related financing documents for the Bonds include the Bond Purchase Agreement, Third Supplement to Fiscal Agent Agreement, Continuing Disclosure Certificate, and a Preliminary Official Statement.

Bond Purchase Agreement: The City intends to pursue a fixed rate negotiated sale of the Bonds to the Underwriters. The Bond Purchase Agreement details the terms, covenants, and conditions for the sale of the Bonds to the Underwriters, as well as agreements regarding expenses, closing schedule and initial and continuing disclosure documents.

Third Supplement to Fiscal Agent Agreement: The proposed resolution approves the form of a Third Supplement to Fiscal Agent Agreement which supplements the original Fiscal Agent Agreement approved with the 2017 Bonds. Pursuant to the Fiscal Agent Agreement between the City and the Fiscal Agent, the Fiscal Agent administers and disburses bond payments. The Fiscal Agent Agreement, as supplemented, provides for the terms of the bonds (interest rates, principal amounts, redemption), remedial action to be taken by the City in the event of special tax delinquencies, and other related administrative provisions. The Fiscal Agent holds the special taxes and the bonds proceeds derived from the sale of the Bonds and will disburse the proceeds as directed by authorized City representatives. Zions Bancorporation, National Association serves as the Fiscal Agent.

Preliminary Official Statement: The proposed resolution also approves the form of a Preliminary and final Official Statement relating to the Bonds ("Official Statement"). The Preliminary Official Statement summarizes the security for the Bonds, the current status of properties subject to the Special Tax, and known potential risks to investors.

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

Pursuant to the Resolution, the Board hereby delegates to the Controller or another Authorized Officer the authority to finalize and revise the Official Statement, among other things, to include the most recent related and material information to investors, and to otherwise make corrections and clarifications needed so that the Official Statement complies with federal securities laws.

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

Attachment 2

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, Del Rio Advisors, LLC, assuming an estimated par of \$33,640,000:

1. True interest cost of the 2021 Bonds: 3.12%
2. Finance charge for the 2021 Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,090,688.
3. Amount of 2021 Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund that is funded with proceeds of the 2021 Bonds: \$30,040,000.
4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the 2021 Bonds: \$55,681,120.

The information set forth above is based on estimates of prevailing market conditions as of June 24, 2021. Actual results may differ.

From: [Owen Stephens](#)
To: [Wong, Linda \(BOS\)](#)
Subject: Public Comment Fire 210871 - Support funding for the TJPA DTX
Date: Tuesday, September 7, 2021 4:59:56 PM
Attachments: [Letter in Support of TJPA DTX Project.pdf](#)

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Ms. Wong,

Please find the attached letter prepared as public comment to the Budget & Finance Committee regarding File # 210871 (proposed bonds to fund the TJPA Downtown Rail Extension project) that is scheduled for the Committee's September 15th meeting.

Please let me know if you or the Supervisors have any questions.

Sincerely,

--

Owen Stephens
o.stephens@gmail.com

Owen P. Stephens

650 California Street, 26th Floor, San Francisco, CA 94108

September 7, 2021

Supervisors Haney, Safai, and Mar
Budget & Finance Committee
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102-4689

RE: Support of Funding the TJPA Downtown Rail Extension Project

File #: 210871

Dear Supervisors Haney, Safai, and Mar,

I am writing in support of the Transbay Joint Power Authority's (TJPA) efforts to secure \$30 million in Transbay Transit Center Community Facilities District (CFD) bonds to fund the Downtown Rail Extension Project (DTX) development work that will be presented before the Budget and Finance Committee on September 15th, and seek approval by the full Board of Supervisors on September 21st.

My interest in seeing the Transbay Transit Center reach its full potential sooner rather than later stems from being a twenty year resident of Treasure Island whose only public transit access point is through the Center. During that time I have experienced the Center in all its forms from a derelict transit hub to its present partial implementation. I am serving my third year as a MUNI riding member of the TJPA Citizens Advisory Committee (CAC) to learn about TJPA plans and programs and advise the TJPA Board of Directors on matters of public interest related to the Transbay Program.

I want San Francisco to keep building momentum toward fulfilling its promise to make the Transbay Center a central public transit hub that will serve the city, region and state. Taking steps now to ensure that positive federal attention and funding is directed toward this program is essential to reach that goal.

The proposed CFD Series 2021 bond will provide the necessary funding commitment that the Federal Transit Administration requires for the DTX to enter the New Starts funding pipeline, which is needed for local dollars to receive matched federal funds. Moving forward now will allow the TJPA to submit its Full Funding Grant Request in

August 2023 to take advantage of once-in-generation transit funding available on the federal level.

Completion of the DTX project will deliver the 1999 Prop H voter mandate to extend Caltrain rail service and other intended modes of transportation into downtown San Francisco. Waiting to issue bonds will delay critical work, risk missing out on federal funding available now, and result in cost escalations on the order of \$200 million per year.

I have witnessed the evolution of the Transbay Transit Center in its many forms over the span of twenty years. I would have preferred that its mission would have been completed already, but knowing the cycle of barriers and opportunities that arose during that time, I strongly urge the Board of Supervisors to approve these CFD bonds to ensure current funding opportunities are capitalized on.

Sincerely,



Owen P. Stephens

From: [Laura Tolkoff](#)
To: [Wong, Linda \(BOS\)](#)
Subject: Budget and Finance Committee:- Agenda Item 8. Issuance of Tax Bonds - Community Facilities District No. 2014-1 (Transbay Transit Center)- Not to Exceed \$35,000,000
Date: Friday, September 10, 2021 2:55:05 PM
Attachments: [SPUR-BOS-Item 8-09.10.21.pdf](#)

This message is from outside the City email system. Do not open links or attachments from untrusted sources.

Dear Supervisors Haney, Safai, and Mar,

Attached please find a letter of support encouraging the Board of Supervisors to issue \$30 million in Transbay Transit Center Community Facilities District (CFD) bonds to advance the Downtown Rail Extension (DTX) Project. SPUR has long supported the extension of Caltrain service from its current northern terminus at San Francisco's Fourth and King streets to the new Salesforce Transit Center.

The potential to receive federal funding for this project may never be as favorable as it is today. This Transbay Transit Center Community Facilities District (CFD) Series 2021 bond issuance process will provide the necessary committed funding that FTA requires for the DTX to enter the New Starts pipeline.

Thank you for providing the opportunity to comment on and support this important milestone. Please do not hesitate to reach out with any questions at ltolkoff@spur.org.

Laura Tolkoff, AICP (she • her)
Transportation Policy Director | [SPUR](#)
ltolkoff@spur.org



The [SPUR Regional Strategy](#) has landed

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SPUR

San Francisco | San Jose | Oakland

San Francisco Board of Supervisors
Budget and Finance Committee
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

September 10, 2021

Re: Agenda Item 8. Issuance of Tax Bonds - Community Facilities District No. 2014-1 (Transbay Transit Center)- Not to Exceed \$35,000,000

Dear Supervisors Haney, Mar and Safai,

We encourage the Board of Supervisors to issue \$30 million in Transbay Transit Center Community Facilities District (CFD) bonds to advance the Downtown Rail Extension (DTX) Project. SPUR has long supported the extension of Caltrain service from its current northern terminus at San Francisco's Fourth and King streets to the new Salesforce Transit Center.

The Downtown Rail Extension (DTX) would bring high-quality rail service to the densest job center in the region, shorten trip times between Millbrae and San Francisco, connect San Francisco to other cities in the statewide high-speed rail network, and offer a one-seat Caltrain ride between Market Street and the cities along the Caltrain Corridor. In the future, this train could extend across San Francisco Bay and connect with the rail network in the East Bay.

The potential to receive federal funding for this project may never be as favorable as it is today. This Transbay Transit Center Community Facilities District (CFD) Series 2021 bond issuance process will provide the necessary committed funding that FTA requires for the DTX to enter the New Starts pipeline. Moving forward now will allow San Francisco to submit a Full Funding Grant Request in August 2023 during an exciting time for once-in-a-generation transit funding on the federal level.

Thank you for providing the opportunity to comment on and support this important milestone. Please do not hesitate to reach out with any questions at ltolkoff@spur.org.

Sincerely,

Laura Tolkoff
Transportation Policy Director