File No. 210390 | Committee Item No. 8
Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee **Date** May 11, 2021

Board of Supervisors Meeting **Date** May 18, 2021

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Completed by: Linda Wong **Date** May 7, 2021
Completed by: Linda Wong **Date** May 14, 2021

[Sale of General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) - Not to Exceed $122,785,000]

Resolution authorizing the issuance and sale of not to exceed $122,785,000 aggregate principal amount of one or more series of bonds on a tax-exempt or taxable basis of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series 2021C; prescribing the form and terms of such bonds and any subseries designation; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds, as defined herein.

WHEREAS, By Resolution No. 228-14, adopted by the Board of Supervisors ("Board of Supervisors") of the City and County of San Francisco ("City") on July 8, 2014, and signed by the Mayor ("Mayor") on July 18, 2014, it was determined and declared that public interest and necessity demand the construction, acquisition, improvement, and retrofitting of transportation and transit related improvements, and other critical infrastructure and facilities for transportation system improvements and safety and related costs necessary or convenient therein described (“Project”); and

WHEREAS, By Ordinance No. 148-14 passed by the Board of Supervisors on July 15, 2014, and signed by the Mayor on July 24, 2014 (“Bond Ordinance”), the Board of Supervisors duly called a special election to be held on November 4, 2014 (“Bond Election”), for the purpose of submitting to the qualified voters of the City a proposition to incur bonded indebtedness of the City in the amount of $500,000,000 to finance the Project, and such proposition was approved by two-thirds of the qualified voters of the City voting on such proposition, and declaration of such Bond Election results was made by the Board of Supervisors pursuant to Resolution No. 459-14 on December 9, 2014, and approved by the Mayor on December 17, 2014; and

WHEREAS, By Resolution No. 193-15, adopted by the Board of Supervisors on June 2, 2015 and approved by the Mayor on June 9, 2015 (“Authorizing Resolution”), the City was authorized to issue its General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) in one or more series or subseries on a tax-exempt or taxable basis (collectively, “Bonds”) in the not-to-exceed amount of $500,000,000; and

WHEREAS, On July 14, 2015 the City issued the first series of the Bonds to finance the Project in the amount of $67,005,000; and

WHEREAS, On April 3, 2018 the City issued the second series of the Bonds to finance the Project in the amount of $174,445,000; and

WHEREAS, On September 30, 2020 the City issued the third series of the Bonds to finance the Project in the amount of $135,765,000; and

WHEREAS, It is necessary and desirable to issue the fourth and final series of the Bonds in one or more subseries on a tax-exempt or taxable basis, in an aggregate principal

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amount not to exceed $122,785,000 (collectively, “Series 2021C Bonds”), to finance a portion of the costs of the Project; and

WHEREAS, The Series 2021C Bonds are being issued pursuant to the Authorizing Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code (“Government Code”), the City Charter (“Charter”), the Bond Ordinances and the Bond Election; and

WHEREAS, Pursuant to the applicable provisions of the San Francisco Administrative Code (“Administrative Code”) Sections 5.30-5.36, the Citizens’ General Obligation Bond Oversight Committee shall conduct an annual review of bond spending and shall provide an annual report on the management of the program to the Mayor and the Board of Supervisors, and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of the Series 2021C Bonds shall be deposited in a fund established by the Office of the City Controller (“Controller”) and appropriated by the Board of Supervisors at the direction of the Citizens’ General Obligation Bond Oversight Committee to cover the costs of such committee and its review process; now, therefore, be it

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

Section 1. <u>Recitals</u>. All of the recitals in this Resolution are true and correct.

Section 2. <u>Conditions Precedent</u>. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance of the Series 2021C Bonds and any subseries thereof exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to the Bond Election, the Authorizing Resolution, the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution.

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Section 3. Documents. The documents presented to the Board of Supervisors and on file with the Clerk of the Board of Supervisors or designee thereof ("Clerk of the Board of Supervisors") are contained in File No. 210390.

Section 4. Issuance and Sale of Series 2021C Bonds; Determination of Certain Terms; Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed $122,785,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) Series 2021C [and any subseries designation]," for the purposes set forth in the Bond Ordinances and Proposition A approved by the voters at the Bond Election.

The City Director of Public Finance or a designee thereof ("Director of Public Finance") is authorized to determine, for the Series 2021C Bonds, the sale date, the interest rates, the definitive principal amount, the maturity dates and the redemption dates, if any, and the terms of any optional or mandatory redemption, subject to the other specific provisions of this Resolution, including the following terms and conditions: (a) the Series 2021C Bonds shall not have a true interest cost (as such term is defined in the Official Notice of Sale (as defined in Section 13) for the Series 2021C Bonds) in excess of 12%; and (b) the Series 2021C Bonds may have a duration up to 30 years from their date of issuance. The Director of Public Finance is further authorized to give the Series 2021C Bonds such additional or other series or subseries designation, or to modify such series or subseries designation, as may be necessary or appropriate to distinguish the Series 2021C Bonds and any subseries thereof from every other series or subseries of Bonds and from other bonds issued by the City, and in the event the Series 2021C Bonds shall consist of multiple series of subseries, there may be one or more maturities in the first year following the issuance of the Series 2021C Bonds, which maturity dates may be determined by the Director of Public Finance.

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Section 5. Authentication and Registration of the Series 2021C Bonds. Each of the Series 2021C Bonds shall be in fully registered form without coupons in denominations of $5,000 or any integral multiple of that amount. The officers of the City are directed to cause the Series 2021C Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Controller or the Director of Public Finance is directed to cause the blanks in the Series 2021C Bonds to be completed in accordance with the Authorizing Resolution, this Resolution, and the Bond Award or Purchase Contract (each as defined below), to procure their execution by the proper officers of the City (including by facsimile signature if necessary or convenient, except that any signature for the Clerk of the Board of Supervisors shall be required to be by manual signature) and authentication as provided in this Section, and to deliver the Series 2021C Bonds when so executed and authenticated to the purchaser in exchange for the purchase price, all in accordance with the Authorizing Resolution.

The Series 2021C Bonds and the certificate of authentication and registration, to be manually executed by the City Treasurer or designee thereof ("City Treasurer"), and the form of assignment to appear on the Series 2021C Bonds shall be substantially in the form attached as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and which is declared to be a part of this Resolution as if fully set forth in this Resolution), with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution.

Only Series 2021C Bonds bearing a certificate of authentication and registration executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the benefits of the Authorizing Resolution and this Resolution, and such certificate of the City Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the

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Series 2021C Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, the Authorizing Resolution and this Resolution.

The Controller shall assign a distinctive letter, or number, or letter and number to each Series 2021C Bond authenticated and registered by the City Treasurer and shall maintain a record thereof which shall be available for inspection.

Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at the office of the City Treasurer or at the designated office of any registrar appointed by the City Treasurer, separate and sufficient books for the registration and transfer of Series 2021C Bonds, which books shall at all times be open to inspection, and upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as he or she may prescribe, register or transfer or cause to be registered or transferred, on such books, Series 2021C Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2021C Bond as its absolute owner for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

Section 7. Transfer or Exchange of Series 2021C Bonds. Any Series 2021C Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 6, by the person in whose name it is registered, in person or by the duly authorized attorney of such person in writing, upon surrender of such Series 2021C Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2021C Bond may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Series 2021C Bond shall be surrendered for transfer or exchange, the designated City officials shall execute (as provided in Section 5) and the City Treasurer shall authenticate and deliver a new Series 2021C Bond of the same interest rate and maturity in a like aggregate principal amount. The City Treasurer shall require the payment by any bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Series 2021C Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in Section 8(b)) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Series 2021C Bonds.

Section 8. Terms of the Series 2021C Bonds; General Redemption Provisions.

(a) Date of the Series 2021C Bonds. The Series 2021C Bonds shall be dated the date of their delivery or such other date ("Dated Date") as is specified in the Bond Award or the Purchase Contract.

(b) Payment of the Series 2021C Bonds. The principal of the Series 2021C Bonds shall be payable in lawful money of the United States of America to their owners, upon surrender at maturity or earlier redemption at the office of the City Treasurer. The interest on the Series 2021C Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the City Treasurer as the owner as of the close of business on the last day of the month immediately preceding an interest payment date ("Record Date"), whether or not such day is a Business Day (as defined below).

Except as may be otherwise provided in connection with any book-entry-only system applicable to the Series 2021C Bonds, payment of the interest on any Series 2021C Bond shall be made by check mailed on the interest payment date to such owner at such owner's address as it appears on the registration books as of the Record Date; provided, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (each, a “Business Day”); and provided, further, that the registered owner of an aggregate principal amount of at least $1,000,000 of Series 2021C Bonds may submit a written request to the City Treasurer on or before a Record Date preceding an interest payment date for payment of interest on the next succeeding interest payment date and thereafter by wire transfer to a commercial bank located within the United States of America.

For so long as any Series 2021C Bonds are held in book-entry form by a securities depository selected by the City pursuant to Section 10, payment shall be made to the registered owner of the Series 2021C Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2021C Bonds. The Series 2021C Bonds shall bear interest at rates to be determined upon the sale of the Series 2021C Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2021 (or such other date as may be designated in the Bond Award or Purchase Contract), and semiannually thereafter on June 15 and December 15 of each year. Each Series 2021C Bond shall bear interest from the interest payment date next preceding the date of its authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date; provided, that if, at the time of authentication of any Series 2021C Bond, interest is in default on the Series 2021C Bonds, such Series 2021C Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2021C Bonds or from the Dated Date if the first interest payment is not made.

(d) Optional Redemption. The Series 2021C Bonds shall be subject to optional redemption prior to maturity as shall be provided in the Official Notice of Sale or the Purchase Contract, as applicable.

(e) Mandatory Redemption. The Series 2021C Bonds shall be subject to mandatory redemption as shall be designated by the purchaser pursuant to the terms of the Official Notice of Sale or as designated in the Purchase Contract, as applicable.

The principal of and interest on the Series 2021C Bonds subject to mandatory redemption shall be paid from the Series 2021C Bond Subaccount established in Section 9, pursuant to Section 9. In lieu of any such mandatory redemption for Series 2021C Bonds, at any time prior to the selection of Series 2021C Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2021C Bond Subaccount to make such payment to the purchase, at public or private sale, of Series 2021C Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

(f) Selection of Series 2021C Bonds for Redemption. Whenever less than all of the outstanding Series 2021C Bonds are called for redemption on any date, the Director of Public Finance will select the maturities of the Series 2021C Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding Series 2021C Bonds maturing on any one date are called for redemption, the manner of selection of the portion of such Series 2021C Bonds called for redemption shall be as specified in the Official Statement for the Series 2021C Bonds.

(g) Notice of Redemption. The date on which Series 2021C Bonds that are called for redemption are to be presented for redemption is called the “Redemption Date.” The City Treasurer shall mail, or cause to be mailed, notice of any redemption of Series 2021C Bonds, postage prepaid, to the respective registered owners at the addresses appearing on the bond registration books not less than 20 nor more than 60 days prior to the Redemption Date. The notice of redemption shall: (i) state the Redemption Date; (ii) state the redemption price; (iii) state the maturity dates of the Series 2021C Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2021C Bonds of such maturity to be redeemed, and in the case of any Series 2021C Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (iv) state the CUSIP number, if any, of each Series 2021C Bond to be redeemed; (v) require that such Series 2021C Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (vi) give notice that interest on such Series 2021C Bonds or portions of Series 2021C Bonds to be redeemed will cease to accrue after the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds or other event specified in the notice of redemption as provided in Section 8(j) below.

The actual receipt by the owner of any Series 2021C Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings for the redemption of such Series 2021C Bonds or the cessation of accrual of interest on such Series 2021C Bonds on the Redemption Date. Notice of redemption also shall be given, or caused to be given by the City Treasurer, by: (i) registered or certified mail, postage prepaid; (ii) confirmed facsimile transmission; (iii) overnight delivery service; or (iv) to the extent acceptable to the intended recipient, email or similar electronic means, to (A) all organizations registered with the Securities and Exchange Commission as securities depositories, and (B) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate described in Section 18.

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The notice or notices required for redemption shall be given by the City Treasurer or any agent appointed by the City. A certificate of the City Treasurer or such other appointed agent of the City that notice of redemption has been given to the owner of any Series 2021C Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2021C Redemption Account. At the time the Director of Public Finance determines to optionally call and redeem any of the Series 2021C Bonds, the Controller or his or her agent shall establish a redemption account to be described or known as the "General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series 2021C Redemption Account" ("Series 2021C Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2021C Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2021C Bonds designated in such notice of redemption, subject to the provisions of Section 8(j) below. Such moneys must be set aside in the Series 2021C Redemption Account solely for the purpose of, and shall be applied on or after the Redemption Date to, payment of the redemption price of the Series 2021C Bonds to be redeemed upon presentation and surrender of such Series 2021C Bonds. Any interest due on or prior to the Redemption Date may be paid from the Series 2021C Bond Subaccount as provided in Section 9 or from the Series 2021C Redemption Account. Moneys held from time to time in the Series 2021C Redemption Account shall be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the general fund ("General Fund") of the City. If, after all of the Series 2021C Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the Series 2021C Redemption Account, such moneys shall be transferred to the General Fund of the City or to such other fund or account as required by

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applicable law; provided, that if such moneys are part of the proceeds of refunding bonds, such moneys shall be transferred pursuant to the resolution authorizing such refunding bonds.

(i) Effect of Redemption. When notice of optional redemption has been given substantially as provided in this Resolution, and when the amount necessary for the redemption of the Series 2021C Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2021C Redemption Account, the Series 2021C Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of such Series 2021C Bonds at the place specified in the notice of redemption, such Series 2021C Bonds shall be redeemed and paid at the redemption price out of the Series 2021C Redemption Account. No interest will accrue on such Series 2021C Bonds called for redemption after the Redemption Date and the registered owners of such Series 2021C Bonds shall look for payment of such Series 2021C Bonds only to the Series 2021C Redemption Account. All Series 2021C Bonds redeemed shall be canceled immediately by the City Treasurer and shall not be reissued.

(j) Conditional Notice of Redemption; Rescission of Redemption. Any notice of optional redemption given as provided in Section 8(g) may provide that such redemption is conditioned upon: (i) deposit in the Series 2021C Redemption Account of sufficient moneys to redeem the Series 2021C Bonds called for optional redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. If conditional notice of redemption has been given substantially as provided in this clause, and on the scheduled Redemption Date (A) sufficient moneys to redeem the Series 2021C Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2021C Redemption Account, or (B) any other event specified in the notice of redemption as a condition to the redemption has not occurred, then (1) the Series

2021C Bonds for which conditional notice of redemption was given shall not be redeemed on the anticipated Redemption Date and shall remain outstanding for all purposes of this Resolution, and (2) the redemption not occurring shall not constitute a default under this Resolution or the Authorizing Resolution.

The City may rescind any optional redemption and notice of it for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the owners of all Series 2021C Bonds so called for redemption. Notice of any such rescission of redemption shall be given in the same manner notice of redemption was originally given.

The actual receipt by the owner of any Series 2021C Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed shall not affect the validity of the rescission.

Section 9. Series 2021C Bond Subaccount. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) Series 2021C Bond Account ("Bond Account") created pursuant to the Authorizing Resolution to be designated as the "General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series 2021C Bond Subaccount" and, in the event the Series 2021C Bonds shall consist of multiple series or subseries, a special subaccount therein for each such series or subseries (individually and collectively, "Series 2021C Bond Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2021C Bond Subaccount shall be retained in the Series 2021C Bond Subaccount.

On or prior to the date on which any payment of principal of or interest on the Series 2021C Bonds is due, including any Series 2021C Bonds subject to mandatory redemption on such date, the City Treasurer shall allocate to and deposit in the Series 2021C Bond Subaccount, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2021C Bond Subaccount, is sufficient to pay principal of and interest on the Series 2021C Bonds on such date.

On or prior to the date on which any Series 2021C Bonds are to be redeemed at the option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit in the Series 2021C Redemption Account, from amounts held in the Bond Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when added to any available moneys contained in the Series 2021C Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2021C Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Series 2021C Bonds as is necessary or convenient to permit the optional redemption of the Series 2021C Bonds.

Amounts in the Series 2021C Bond Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are or can be invested. The City Treasurer may (a) commingle any of the moneys held in the Series 2021C Bond Subaccount with other City moneys, or (b) deposit amounts credited to the Series 2021C Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2021C Bond Subaccount shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

Section 10. Appointment of Depositories and Other Agents. The City Treasurer is authorized and directed to appoint one or more depositories as he or she may deem desirable and the procedures set forth in Section 5, Section 6, Section 7 and Section 8 relating to registration of ownership of the Series 2021C Bonds and payments and redemption notices to owners of the Series 2021C Bonds may be modified to comply with the policies and procedures of such depository. The City will not have any responsibility or obligation to any purchaser of a beneficial ownership interest in any Series 2021C Bonds or to any participants in such a depository with respect to (a) the accuracy of any records maintained by such securities depository or any participant therein; (b) any notice that is permitted or required to be given to the owners of Series 2021C Bonds under this Resolution; (c) the selection by such securities depository or any participant therein of any person to receive payment in the event of a partial redemption of Series 2021C Bonds; (d) the payment by such securities depository or any participant therein of any amount with respect to the principal or redemption premium, if any, or interest due with respect to Series 2021C Bonds; (e) any consent given or other action taken by such securities depository as the owner of Series 2021C Bonds; or (f) any other matter.

The Depository Trust Company, New York New York (“DTC”) is appointed as depository for the Series 2021C Bonds. The Series 2021C Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2021C Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2021C Bond is registered in book-entry form, each Series 2021C Bond shall be registered in the name of Cede & Co. or in the name of such successor nominee as may be designated from time to time by DTC or any successor as depository.

The City Treasurer is also authorized and directed to appoint one or more agents as he or she may deem necessary or desirable, to the extent permitted by applicable law and under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent, escrow agent or registrar for the Series 2021C Bonds or may assist the City Treasurer in performing any or all of such functions and such other duties as the City Treasurer shall determine. Such agents shall serve under such terms and conditions as the City Treasurer shall determine. The City Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

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The Controller or the Director of Public Finance is also authorized and directed to appoint a rebate calculation agent as he or she may deem necessary or desirable. Such agent shall serve under such terms and conditions as the Controller or the Director of Public Finance shall determine. The Controller or the Director of Public Finance may remove or replace such agent appointed pursuant to this paragraph at any time.

Section 11. Defeasance Provisions. Payment of all or any portion of the Series 2021C Bonds may be provided for prior to such Series 2021C Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto):

(a) an amount of cash equal to the principal amount of all of such Series 2021C Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series 2021C Bonds which are to be redeemed prior to such Series 2021C Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and any premium due on such Redemption Date; or

(b) Defeasance Securities (as herein defined) not subject to call, except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts; together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Series 2021C Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Series 2021C Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City; then, all obligations of the City with respect to such outstanding Series 2021C Bonds shall cease and terminate, except only the tax covenants under Section 23 and the obligation of the City to pay or cause to be paid from the funds deposited pursuant to clause (a) or (b) of this Section 11, to the owners of such Series 2021C Bonds all sums due with respect thereto; and provided further, that the City shall have received an opinion of nationally recognized bond counsel, that provision for the payment of such Series 2021C Bonds has been made in accordance with this Section 11.

For purposes of this Section 11, "Defeasance Securities" shall mean any of the following that at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

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

(ii) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (A) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (B) the municipal obligations are secured by cash and/or United States Obligations; (C) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the redemption account) are sufficient to meet the liabilities of the municipal obligations; (D) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (E) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (F) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the

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escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by such Rating Agencies on such United States Obligations.

For purposes of this Section 11, “United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including, without limitation, the interest component of Resolution Funding Corporation (“REFCORP”) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies, at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in clause (i) above.

For purposes of this Section 11, “Rating Agencies” shall mean Moody’s Investors Service, Fitch Ratings, S&P Global Ratings and Kroll Bond Rating Agency, LLC, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date hereof.

Section 12. <u>Sale of Series 2021C Bonds By Competitive or Negotiated Sale</u>. The Board of Supervisors authorizes the sale of the Series 2021C Bonds by solicitation of competitive bids or by negotiated sale to one or more underwriters to be appointed in accordance with City policies, if so determined by the Director of Public Finance.

Section 13. <u>Official Notice of Sale; Receipt of Bids; Bond Award</u>.

(a) <u>Official Notice of Sale</u>. If the Series 2021C Bonds are sold through a solicitation of competitive bids, then the form of proposed Official Notice of Sale inviting bids for the Series 2021C Bonds (“Official Notice of Sale”) submitted to the Board of Supervisors and on file with the Clerk of the Board of Supervisors is approved and adopted as the Official Notice of Sale inviting bids for the Series 2021C Bonds, with such changes, additions and modifications as may be made in accordance with Section 19. The Director of Public Finance is authorized and directed to cause to be mailed or otherwise circulated to prospective bidders for the Series 2021C Bonds copies of the Official Notice of Sale, subject to such corrections, revisions or additions as may be acceptable to the Director of Public Finance.

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

(c) Bond Award. As provided in the Official Notice of Sale, the City may reject any and all bids received for any reason. The Director of Public Finance or the Controller is authorized to award the Series 2021C Bonds to the responsible bidder whose bid (i) is timely received and conforms to the Official Notice of Sale, except to the extent informalities and irregularities are waived by the City as permitted by the Official Notice of Sale; and (ii) represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale. The award, if made, shall be set forth in a certificate signed by the Controller or Director of Public Finance setting forth the terms of the Series 2021C Bonds and the original purchasers ("Bond Award"). The Director of Public Finance shall provide a copy of the Bond Award, if such award is not signed by the Controller, as soon as practicable to the Controller; provided, that failure to provide such copy shall not affect the validity of the Bond Award.

Section 14. Publication of Notice of Intention to Sell Bonds. If the Series 2021C Bonds are sold through a solicitation of competitive bids, then the form of proposed Notice of Intention to Sell the Series 2021C Bonds ("Notice of Intention to Sell Bonds") submitted to the Board of Supervisors and on file with the Clerk of the Board of Supervisors is approved and adopted as the Notice of Intention to Sell the Series 2021C Bonds, and the Director of Public

Finance is authorized and directed to cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be made in accordance with Section 19, to be published once in *The Bond Buyer* or another financial publication generally circulated throughout the State of California meeting the requirements of Section 53692 of the Government Code at least five (5) days prior to the date fixed for receipt of bids for the Series 2021C Bonds, or as otherwise set forth in Section 53692 of the Government Code.

Section 15. Authorization of Negotiated Sale; Authorization to Select Underwriters; Form of Purchase Contract Approval. The Director of Public Finance, in consultation with the Controller, is hereby authorized to conduct the sale of the Series 2021C Bonds by negotiated sale pursuant to one or more Purchase Contracts (each, a "Purchase Contract"), each by and between the City and the underwriter(s) named therein ("Underwriters"), if the Controller determines that such manner of sale is in the best financial interest of the City, such determination to be conclusively evidenced by the execution and delivery of such Purchase Contract as hereinafter approved. The form of such Purchase Contract as presented to this Board of Supervisors, a copy of which is on file with the Clerk of the Board of Supervisors, is hereby approved. The Controller or the Director of Public Finance is hereby authorized to execute such Purchase Contract with such changes, additions and modifications as the Controller or the Director of Public Finance may make or approve in accordance with Section 19 hereof; provided however, that the Underwriters' discount under any such Purchase Contract shall not exceed 1.0% of the principal amount of the Series 2021C Bonds. In order to facilitate the sale of the Series 2021C Bonds by negotiated sale, the Controller or the Director of Public Finance is hereby authorized and directed to appoint one or more financial institutions to act as underwriter for the Series 2021C Bonds.

Section 16. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2021C Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2021C Bond Subaccount; (b) premium, if any, shall be deposited into the Series 2021C Bond Subaccount in such amount not to exceed three years of interest on the Series 2021C Bonds; and (c) remaining proceeds of sale shall be deposited into the Project Account, including an appropriate subaccount therein.

Section 17. Preliminary Official Statement and Official Statement. The form of proposed Preliminary Official Statement describing the Series 2021C Bonds ("Preliminary Official Statement") submitted to the Board of Supervisors and on file with the Clerk of the Board of Supervisors is approved and adopted as the Preliminary Official Statement describing the Series 2021C Bonds, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 19. The Controller or the Director of Public Finance is authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule"), and to sign a certificate to that effect. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed to prospective bidders for the Series 2021C Bonds the Preliminary Official Statement in substantially the form of the Preliminary Official Statement approved and adopted by this Resolution, as completed, supplemented, corrected or revised. The Controller or the Director of Public Finance is authorized and directed to approve, execute, and deliver the final Official Statement with respect to the Series 2021C Bonds, which final Official Statement shall be in the form of the Preliminary Official Statement, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 19 and as are permitted under the Rule. The Director of Public Finance is authorized and directed to cause to be signed, printed and mailed or electronically distributed the final Official Statement to all actual initial purchasers of the Series 2021C Bonds.

Section 18. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate (“Continuing Disclosure Certificate”), to be signed by the City to permit the original purchasers of the Series 2021C Bonds to comply with the Rule, submitted to the Board of Supervisors is approved and adopted as the Continuing Disclosure Certificate, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 19. The Controller or the Director of Public Finance is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the original purchasers of the Series 2021C Bonds.

Section 19. Modification to Documents. Any City official authorized by this Resolution to execute any document is further authorized, in consultation with the City Attorney and co-bond counsel, to approve and make such changes, additions, amendments or modifications to the document or documents such official is authorized to execute as may be necessary or advisable (provided, that such changes, additions, amendments or modifications shall not authorize an aggregate principal amount of Series 2021C Bonds in excess of $122,785,000 or conflict with the provisions of Section 4). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 20. Ratification. All actions previously taken by officials, employees and agents of the City with respect to the sale and issuance of the Series 2021C Bonds, consistent with any documents presented and this Resolution, are approved, confirmed and ratified.

Section 21. Relationship to Authorizing Resolution. In the event of any conflict between this Resolution and the Authorizing Resolution, the terms of this Resolution shall control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing

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Resolution, the City is not obligated to transfer money from the General Fund of the City to the Bond Account to pay the principal of or interest on the Series 2021C Bonds.

Section 22. Accountability Reports. The Series 2021C Bonds are subject to accountability requirements under the Administrative Code and the Bond Ordinances. The deadline for submission of the Accountability report(s) under Administrative Code Sections 2.71(a) and 2.71(b) are hereby waived with respect to the Series 2021C Bonds. Accountability report(s) with respect to the Series 2021C Bonds shall be submitted in all other respects in the manner required by the Administrative Code and the Bond Ordinances.

Section 23. Covenants to Maintain Tax-Exempt Status. The following covenants shall be applicable to any Series 2021C Bonds (including any subseries) issued as bonds the interest on which is excluded from gross income for federal or state income tax purposes:

(a) Definitions. When used in this Section, the following terms have the following meanings:

"*Closing Date*" means the date on which the Series 2021C Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"*Code*" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"*Computation Date*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Final Computation Date*" has the meaning set forth in Section 1.148-3(e)(2) of the Regulations.

"*Gross Proceeds*" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Series 2021C Bonds.

"*Investment*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Nonpurpose Investment*" means any investment property, as defined in Section 148(b) of the Code, in which Gross Proceeds of the Series 2021C Bonds are invested and which is not acquired to carry out the governmental purposes of the Series 2021C Bonds.

"*Rebate Amount*" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Regulations*" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Series 2021C Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"*Yield*" of:

(i) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(ii) the Series 2021C Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Series 2021C Bond to become includable in the gross income, as defined in Section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Series 2021C Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the final payment on the Series 2021C Bonds:

(i) exclusively own, operate and possess all property, the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Series 2021C Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Series 2021C Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by Section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds of the Series 2021C Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such

Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the final stated maturity of the Series 2021C Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of the Series 2021C Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by Section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause the Series 2021C Bonds to be federally guaranteed within the meaning of Section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Reporting. The City shall timely file the information required by Section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in Section 148(f) of the Code and the Regulations and rulings thereunder:

(i) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last outstanding Series 2021C

Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the Series 2021C Bonds with other money of the City; provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in Section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Series 2021C Bonds until six years after the Final Computation Date.

(iii) As additional consideration for the purchase of the Series 2021C Bonds by the initial purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from gross income for federal income tax purposes, the City shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Series 2021C Bonds equals (i) in the case of a Final Computation Date, 100% of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(iv) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (ii) and (iii), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within 180 days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by Section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the final payment on the Series 2021C Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 25(h) above because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Series 2021C Bonds not been relevant to either party.

(j) Elections. The City directs and authorizes the Director of Public Finance and the Controller, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Series 2021C Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

Section 24. City Services Auditor Fee. To the extent permitted by law, one-fifth of one percent (0.2%) of the amount of gross proceeds of the Series 2021C Bonds deposited into the Series 2021C Project Account, as established by the Authorizing Resolution, shall be applied to pay the City Services Auditor Fee.

Section 25. General Authority. The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each authorized and directed in the name and on behalf of the City to take any and all steps and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents, and other documents as may be necessary to give effect to the provisions of this Resolution, including but not limited to tax compliance certificates and letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2021C Bonds. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as is practicable) of execution by all parties.

APPROVED AS TO FORM:

DENNIS J. HERRERA City Attorney

By /s/ MARK D. BLAKE
MARK D. BLAKE
Deputy City Attorney

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EXHIBIT A

FORM OF BOND

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its 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 OF THIS BOND FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

Number		Principal Amount
R-__	UNITED STATES OF AMERICA STATE OF CALIFORNIA	$_________

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014)
SERIES 2021C [and any subseries designation]

Interest Rate	Maturity Date	Dated Date	CUSIP Number
			_________

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: $ _______________

The City and County of San Francisco, State of California ("City"), acknowledges itself indebted to and promises to pay to the Registered Owner specified above or registered assigns, on the

Maturity Date specified above, the Principal Amount of this Bond specified above in lawful money of the United States of America, and to pay interest on the Principal Amount in like lawful money from the Interest Payment Date (as defined below) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of the day during the period from the last day of the month immediately preceding any Interest Payment Date ("Record Date") to such Interest Payment Date, inclusive, in which event it shall bear from such Interest Payment Date, or unless this Bond is authenticated on or before November 30, 2021, in which event it shall bear interest from its Dated Date (specified above) until payment of such Principal Amount, at the Interest Rate per year specified above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on December 15, 2021 and semiannually thereafter on June 15 and December 15 in each year (each, an "Interest Payment Date"); provided, that if any Interest Payment Date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (a "Business Day"). The Principal Amount of this Bond is payable to the Registered Owner of this Bond upon the surrender of this Bond at the office of the City Treasurer ("City Treasurer") in San Francisco, California. The interest on this Bond is payable to the person whose name appears on the Bond registration books of the City Treasurer as the Registered Owner of this Bond as of the close of business on the Record Date immediately preceding an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date to such Registered Owner at the owner's address as it appears on such registration books; *provided*, that the Registered Owner of Bonds in an aggregate principal amount of at least $1,000,000 may submit a written request to the City Treasurer on or before the Record Date preceding any Interest Payment Date for payment of interest by wire transfer to a commercial bank located in the United States of America.

This Bond is one of a duly authorized issue of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) Series 2021C ("Bonds") of like tenor (except to such variations, if any, as may be required to designate varying numbers, denominations, interest rates and maturities), in the aggregate principal amount of $122,785,000, which is part of a bond authorization in the aggregate original principal amount of $500,000,000 authorized by the affirmative votes of more than two-thirds of the voters voting at a special election duly and legally called, held and conducted in the City on November 4, 2014 and is issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, the Charter of the City and a Resolution of Necessity adopted by the City Board of Supervisors ("Board of Supervisors") on _________, 2021, and duly approved by the Mayor on _________, 2021, and Resolution No. _____, adopted by the Board of Supervisors on _________, 2021 and duly approved by the Mayor on _________, 2021 (together with the related [Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds][Purchase Contract], dated ________, 2021, "Resolutions").

The Bonds are issuable as fully registered bonds without coupons in the denominations of $5,000 or any integral multiple of such amount; provided, that no Bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Resolutions, the Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same interest rate and maturity.

This Bond is transferable by its Registered Owner, in person or by its attorney duly authorized in writing, at the office of the City Treasurer, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolutions, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized denomination or denominations for the same interest rate and same aggregate principal amount will be issued to the transferee in exchange for this Bond.

No transfer or exchange of the Bonds shall be required to be made by the City Treasurer during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date or after a notice of redemption shall have been mailed with respect to such Bonds.

[Bonds maturing on and before June 15, 20__, will not be subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. If less than all of the outstanding Bonds are to be redeemed, they may be redeemed in any order of maturity as determined by the Director of Finance. If less than all of the outstanding Bonds of a maturity are to be redeemed, the Bonds or portions of Bonds of such maturity to be redeemed shall be selected Director of Public Finance, in authorized denominations of $5,000 or integral multiples of that amount, from among Bonds of that maturity not previously called for redemption, by lot, in any manner which the Director of Public Finance deems fair.]

[Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective amount provided in the [Official Notice of Sale/the Purchase Contract] for the Bonds.]

[Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective amount provided in the [Official Notice of Sale/the Purchase Contract] for the Bonds.]

Notice of the redemption of Bonds which by their terms shall have become subject to redemption shall be given or caused to be given to the Registered Owner of each Bond or portion of a Bond called for redemption not less than 20 or more than 60 days before any date established for redemption of Bonds, by the City Treasurer on behalf of the City, first class mail, postage prepaid, sent to the Registered Owner's last address, if any, appearing on the registration books kept by the City Treasurer. Official notices of redemption will contain the information specified in the Resolutions.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless such redemption and notice of it shall have been rescinded or unless the City shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular Registered Owner, shall affect the sufficiency of such notice with respect to other Bonds.

Notice of redemption, or notice of rescission of an optional redemption, having been properly given, failure of a Registered Owner to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice.

Any notice of optional redemption may provide that such redemption is conditional upon occurrence of a specified event, as provided in the Resolutions. In the event that such conditional notice of optional redemption has been given, and on the date fixed for redemption such condition has not been satisfied, the Bonds for which notice of conditional optional redemption was given shall not be redeemed and shall remain Outstanding for all purposes of the Resolutions and the redemption not occurring shall not constitute an event of default under the Resolutions.

The City may rescind any optional redemption and notice of it for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the owners of all Bonds so called for redemption. Notice of any such rescission of redemption shall be given in the same manner notice of redemption was originally given.

The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed shall not affect the validity of the rescission.

The City and the City Treasurer may treat the Registered Owner of this Bond as the absolute owner of this Bond for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

The City Treasurer may appoint agents to serve as bond registrar or paying agent, as provided in the Resolutions.

The Board of Supervisors certifies, recites and declares that the total amount of indebtedness of the City, including the amount of this Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond, that this Bond is in the form prescribed by order of the Board of Supervisors duly made and entered on its minutes, and the money for the payment of principal of this Bond, and the payment of interest thereon, shall be raised by taxation upon the taxable property of the City as provided in the Resolutions.

This Bond shall not be entitled to any benefit under the Resolutions, or become valid or obligatory for any purpose, until the certificate of authentication and registration on this Bond shall have been signed by the City Treasurer.

IN WITNESS WHEREOF the Board of Supervisors has caused this Bond to be executed by the Mayor and to be countersigned by the Clerk of the Board of Supervisors, all as of _____________.

____

Mayor of the City and
County of San Francisco

Countersigned:

____

Clerk of the Board of Supervisors

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolutions, which has been authenticated on the date set forth below.

Date of Authentication: ____________

____

Treasurer of the

City and County of San Francisco

ASSIGNMENT

FOR VALUE RECEIVED the undersigned do(es) hereby sell, assign and transfer unto

____

____

(Please print or typewrite Name, Address, and Tax Identification or Social Security Number of Assignee/Transferee)

the within-mentioned registered bond and all rights thereunder and hereby irrevocably constitute(s) and appoint(s) ____ attorney to transfer the same on the books of the paying agent with full power of substitution in the premises.

Dated:

____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without altercation or enlargement or any change whatsoever.

Signature Guaranteed:

____

Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges and who is a member of a Medallion Signature Program.

Items 4, 5, 6, 7 & 8 Files 21-0422, 21-0387, 21-0388, 21-0389 & 21-0390	Department: Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions and ordinance would authorize actions and documents associated with (1) issuance of $487,500,000 of the 2020 Health and Recovery General Obligation Bonds; (2) sale of $425,000,000 in 2020 Health and Recovery General Obligation Bonds; (3) sale of $90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds; (4) sale of $122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds; and, (5) the appropriation of the corresponding bond proceeds.

Key Points

- This is the first issuance of 2020 Health and Recovery bonds and proceeds will go toward $169.3 million for improvements to City parks and recreation facilities; $146.7 million for investments in housing with $29.1 million to purchase a Navigation Center serving transition age youth, $116.6 million to purchase up to 250 units of permanent supportive housing, and $1 million for project management and housing acquisition due diligence; $59.9 million for mental health facilities; and, $41.4 million for street improvements.
- This is the second issuance of 2020 Earthquake Safety and Emergency Repairs Bonds of and proceeds will go toward $15 million for improvements to the emergency firefighting water system and $71.5 million to Fire Station improvements and to a new Fire Training facility.
- This is the final of four issuances of the 2014 Transportation and Road Improvement bonds and proceeds will go toward $38.6 million toward transit improvement.

Fiscal Impact

- If approved, the total projected average annual debt service would be $39,170,000, and the total debt service is estimated at $979,180,000.
- If the Board approves the issuance of three bonds, outstanding debt as a percentage of total assessed value would increase by approximately 0.21 percent to 1.15 percent of total assessed value, which is under the 3 percent debt limit established in the City Charter.
- If the Board approves the issuance of all three bonds, the total increase in the property tax would be $0.1299 per $1,000 of assessed value.

Recommendations

- Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that $1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
- Approve the proposed resolutions and appropriations ordinance.

MANDATE STATEMENT

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. General obligation bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

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

BACKGROUND

Transportation and Road Improvement Bonds, 2014

San Francisco voters approved $500 million in Transportation and Road Improvement General Obligation Bonds in November 2014 (2014 Municipal Transportation Agency (MTA) Proposition A) to implement infrastructure and transportation improvements related to the longer-term plan developed by the Mayor's Transportation Task Force in 2013.

The Board of Supervisors previously approved the sale of bonds in amounts not to exceed $67.5 million in June 2015 (File 15-0459), $177 million in February 2018 (File 17-1253), and $140 million in September 2020 (File 20-0582). To date, of the total bond authorization, $377.2 million has been issued (Series 2015B: $67 million, Series 2018B: $174.4 million, and 2020B: $135.8 million), leaving $122.8 million remaining in voter approved bond authority. The first three issuances of this bond funded capital investments to upgrade the transit system, improve and enhance accessibility and pedestrian safety, complete street and traffic signal improvements, and upgrade Muni facilities.

Health and Recovery Bonds, 2020

San Francisco voters approved $487.5 million in Health and Recovery General Obligation Bonds in November 2020 (2020 Health and Recovery Proposition A) to fund investments in supportive housing facilities, shelters, and facilities that provide services to people experiencing mental health and substance use disorders, and/or homelessness; improve accessibility and quality of parks, open spaces, and recreational facilities in the City; and, improve the accessibility, safety and conditions of the City's streets. Proceeds from these bonds are intended to help stimulate the local economy and aid in recovery following the economic downturn as a result of the COVID-19 public health emergency. The proposed issuance under consideration in this report will be the first issuance of these bonds.

Earthquake Safety and Emergency Response, 2020

San Francisco voters approved $628.5 million in Earthquake Safety and Emergency Response General Obligation Bonds (2020 Earthquake Safety and Emergency Response Proposition B) to fund capital projects that include renovating and seismic upgrading the City's emergency firefighting water system; rehabilitating fire stations and replacing the firefighter training center; seismic improvements to district police stations; upgrading or replacing City-owned disaster response facilities; and expansion of the City's 9-1-1 Emergency Call Center.

The Board of Supervisors approved the first sale of up to $85 million in bonds (File 20-1295) in January 2021. In March 2021 a total par amount of $80.7 million in bonds were issued (Series 2021A), leaving $547.8 million remaining voter-approved bond authority.

DETAILS OF PROPOSED LEGISLATION

Resolutions Approving Issuance and Sale of General Obligation Bonds

File 21-0387: The proposed resolution would authorize the issuance and sale of not-to-exceed $487,500,000 aggregate principal amount of the 2020 Health and Recovery General Obligation Bonds. The proposed resolution also (1) provides for the levy of a tax to pay the principal and interest; (2) provides for the appointment of depositories and other agents for the bonds; (3) provides for the establishment of accounts related to the bonds; (4) adopts findings under the California Environmental Quality Act (CEQA); (5) finds the proposed projects in conformity with the priority policies of the Planning Code, Section 101.1, and with the General Plan consistence requirement of Charter, Section 4.105 and Administrative Code, Section 2A.53; (6) ratifies certain actions previously taken; and, (7) grants general authority to City officials to take necessary actions in connection with issuance and sale of these bonds.

File 21-0388: The proposed resolution would authorize the first sale of a not to exceed aggregate principal amount of $425,000,000 of 2020 Health and Recovery General Obligation Bonds, Series 2021D. If the Board of Supervisors approves the sale of $425,000,000, the sale of the balance of $62,500,000 the remaining bond authority would be subject to future Board of Supervisors approval.

File 21-0389: The proposed resolution would authorize the second sale of a not to exceed aggregate principal amount of $90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds, Series 2021E. If the Board of Supervisors approves the sale, the balance of $457,785,000 would be subject to future Board of Supervisors approval.

File 21-0390: The proposed resolution would authorize a not to exceed aggregate principal amount of $122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds, Series 2021C. This will be the fourth and final sale of the 2014 Transportation and Road Improvement Bonds.

Files 21-0388, 21-0389, and 21-0390 also:

- Prescribe the form and terms of the bonds;

- Provide for the appointment of depositories and other agents for the bonds;
- Provide for the establishment of accounts related to the bonds;
- Authorize the sale of the bonds by competitive or negotiated sale;
- Approve the forms of Official Notice of Sale and Intention to Sell Bonds;
- Direct the publication of the Notice of Intention to Sell Bonds;
- Approve the form of the Bond Purchase Contract;
- Approve the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
- Approve the form of the Continuing Disclosure Certificate;
- Authorize and approves modifications to documents;
- Ratify certain actions previously taken; and
- Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

Together the issuance of and sale of Series 2021C (2014 Transportation and Road Improvement General Obligation Bonds), Series 2021D (2020 Health and Recovery General Obligation Bonds), and Series 2021E (2020 Earthquake Safety and Emergency Response General Obligation Bonds) are referred to as the Series 2021CDE Bonds.

Ordinance Approving Bond Appropriations

File 21-0422: The proposed ordinance appropriates the following bond proceeds and places these funds on Controller's Reserve pending receipt of bond funds.

- $122,785,000 in proceeds from the 2021C Transportation and Road Improvement General Obligation Bond to the MTA for transit and street improvements.
- $425,000,000 of proceeds from the Series 2021D Health and Recovery General Obligation Bonds to the Recreation and Park Department, Department of Homelessness and Supportive Housing, Department of Public Health, and Department of Public Works for improvement to parks, recreation and open spaces; investments in permanent supportive and transitional housing, mental and behavioral health facilities; and street resurfacing and right-of-way projects.
- $90,000,000 from Series 2021E Earthquake Safety and Emergency Response General Obligation Bonds to the Department of Public Works and Public Utilities Commission for improvements to the Fire Department facilities and emergency firefighting water systems.

Taxable and Tax-Exempt Bonds

The Series 2021CDE Bonds are structured as tax-exempt bonds; however, a portion of the total bond issuance may be sold as taxable depending on bond counsel tax determination and marketing conditions.

Competitive or Negotiated Sale

The Office of Public Finance intends to pursue a competitive sale of the 2021CDE Bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable.

Proposed Uses of Bond Funds

Table 1 below summarizes the appropriation of the Series 2021CDE Bond proceeds.

Table 1: Sources and Uses of Bond Proceeds

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
Sources			
Par Amount	$122,785,000	$421,310,000	$87,345,000
Reserve for Market Uncertainty		3,690,000	2,655,000
Total Sources (Bond Proceeds)	**$122,785,000**	**$425,000,000**	**$90,000,000**
Uses			
Transit Improvements (MTA)	38,567,200		
Safer Streets (MTA)	83,547,015		
MTA Subtotal	**$122,114,215**		
Recreation and Parks H&R Uses			
Neighborhood Parks Contingency		5,000,000	
Gene Friend Recreation Center		30,000,000	
India Basin		29,000,000	
Buchanan Street Mall		2,000,000	
Japantown Plaza		25,000,000	
Herz Playground Recreation Center		10,000,000	
Portsmouth Square		54,000,000	
Twin Peaks Trails		1,000,000	
Planning & Design for Rec. and Park Programs		13,320,000	
Recreation & Parks H&R Subtotal		**169,320,00**	
Homelessness & Supportive Housing H&R Uses			
TAY Navigation Center at 888 Post Street		29,100,000	
Housing Acquisition		116,606,587	
Program Delivery [a]		1,000,000	
HSH H&R Subtotal		**146,706,587**	
Department of Public Health H&R Uses			
SFGH Building 5 Psychiatric Emergency Services		11,377,246	
Mental Health Facilities		48,502,994	
DPH H&R Subtotal		**59,880,240**	
Department of Public Works H&R Uses			
Street Paving		31,417,166	
Curb Ramps		5,000,000	
Street Structures		5,000,000	
DPW H&R Subtotal		**41,417,166**	
Fire Stations & Support Facilities (DPW)			71,516,188
Emergency Firefighting Water System (PUC)			15,000,000
DPW ESER Subtotal			**$86,516,188**
Subtotal Bond Projects	**$122,114,215**	**$417,323,993**	**$86,516,188**

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
City Services Auditor	244,228	834,647	173,032
General Obligation Bond Oversight Committee	122,785	421,310	87,345
Costs of Issuance [b]	180,987	623,500	131,710
Underwriters Discount [c]	122,785	2,106,550	436,725
Reserve for Market Uncertainty		3,690,000	2,655,000
Subtotal Oversight & Financing	$670,785	$7,676,007	$3,483,812
Total Uses	**$122,785,000**	**$425,000,000**	**$90,000,000**

Source: Appropriation Ordinance (File 21-0422) under Board of Supervisors consideration

[a] Program delivery is for multi-year costs for project delivery including project management costs and housing acquisition due diligence costs (such as physical needs assessment, inspections, environmental assessments, etc.)

[b] Costs of issuance include bond counsel, municipal advisory, ratings, oversight and other transaction costs.

[c] Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

Transportation and Road Improvement Bond Projects

This final bond issuance of $122.8 million will allocate $38.6 million toward transit improvement projects and $83.5 million toward safer streets projects. The $38.6 million in transit projects will fund Muni Forward Rapid Network improvements, including $11.3 million in L-Taraval improvements and $27.3 million in Better Market Street improvements. The $83.5 million for safer streets projects will fund $27 million in accessibility improvements, $2.6 million in pedestrian safety improvements, $37.2 million in Complete Streets improvements, and $15.9 million in traffic signal improvements; the balance of funding is allocated to issuance costs and contingencies.

At the April 19, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2014 Transportation and Road Improvement General Obligation Bonds Series 2021C, in accordance with Section 3.21 of the Administrative Code.

Health and Recovery Bond Projects

Through the Series 2021D bond issuance, the Recreation and Parks Department will receive $169.3 million for improvements to City parks and recreation facilities; the Department of Homelessness and Supportive Housing will receive $146.7 million for investments in housing with $29.1 million to purchase 888 Post Street for a 75 bed Navigation Center serving transition age youth, $116.6 million to purchase up to 250 units of permanent supportive housing, and $1 million for project management and acquisition due diligence; the Department of Public Health will receive $59.9 million for mental health facilities, including $48.5 million to fund 145-175 beds, both new placements and stabilizing existing bed capacity, and $11.4 million to renovate and expand the Psychiatric Emergency Services Facility at SFGH; and, the Department of Public Works will receive $41.4 million for street improvements.

The 2020 Health and Recovery Bond Accountability report states that $1 million of the bond will be allocated to costs related to Department of Homelessness and Supportive Housing's Coordinated Entry program, although, as noted above, $1 million in bond proceeds allocated to

Program Delivery will be used for project management and housing acquisition due diligence costs. We recommend the Board of Supervisors request that the Department of Homelessness and Supportive Housing work with the Office of Public Finance to update the 2020 Health and Recovery Bond Accountability Report to correctly state the intended uses of these bond proceeds.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution authorizing the issuance of the 2020 Health and Recovery General Obligation Bonds as well as the resolution authorizing and directing the sale of the Series 2021D bonds in accordance with Section 3.21 of the Administrative Code.

Earthquake Safety and Emergency Response Projects

The Series 2021E proceeds will provide the SF Public Utilities Commission with $15 million for improvements to the emergency firefighting water system and the Department of Public Works with $71.5 million for repairs to Fire Department facilities. The Fire Department projects includes $67 million for a new Fire Department training facility, including costs for land acquisition, programming, site due diligence, environmental review and agency approvals, design, and pre-construction efforts.[1] The line-item also includes $4.5 million for Fire Station 7 Replacement project planning, programming, site due diligence, environmental review.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2020 Earthquake Safety and Emergency Response General Obligation Bonds Series 2021E, in accordance with Section 3.21 of the Administrative Code.

FISCAL IMPACT

Annual Debt Service

The Office of Public Finance reports that the combined par value of the Series 2021CDE bonds is approximately $631,440,000. The proposed resolutions authorize the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the Series 2021CDE bonds shall have a final maturity date no later than 30 years after the date of issuance.

Based on an estimated market interest rate of 3.75 percent for the Series 2021CDE general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of approximately $39,170,000. Over the anticipated 25-year life of the bonds, the total debt service is estimated at $979,180,000. Of the total debt service,

[1] The Mayor's Office introduced legislation on May 4, 2021 to approve a Purchase Option Agreement for 1236 Carroll Avenue for use as a Fire Training Facility (File 21-0509).

approximately $347,740,000 is in interest payments and the remainder is the par value of the 2021 CDE Bonds ($641,440,000).

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. The City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for FY 2020-21 is approximately $9.04 billion, based on a net assessed valuation of approximately $301.4 billion.

According to the Controller's Office of Public Finance, as of April 1, 2021, the City had outstanding debt of approximately $2.84 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.94 percent of the net assessed valuation for FY 2020-21. If the Board of Supervisors approves the issuance of three bonds, the debt ratio would increase by approximately 0.21 percent to 1.15 percent, which is under the 3 percent debt limit. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.59 percent of the net assessed value of property in the City.

Property Tax Rates

Repayment of general obligation bonds is recovered through an increase in the annual Property Tax rate. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of all three bonds, the total increase in the Property Tax rate is estimated to average $0.1299 per $1,000 of assessed value over the anticipated 25-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average additional property taxes to the City of approximately $77.06 per year if the anticipated amount of $631,440,000 of bonds are sold.

Capital Plan

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was $0.1201 per $100 of assessed value. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of the Series 2021CDE general obligation bonds, the property tax rate for FY 2020-21 would be maintained at or below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATIONS

1. Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that $1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
2. Approve the proposed resolutions (Files 21-0387, 21-0388, 21-0389, and 21-0390) and the proposed appropriations ordinance (File 21-0422).

OFFICIAL NOTICE OF SALE

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$122,785,000* **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014), SERIES 2021C[-1/C-2]**	**$421,310,000*** **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (HEALTH AND RECOVERY, 2020), SERIES 2021D[-1/D-2]**	**$87,345,000*** **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020), SERIES 2021E[-1/E-2]**

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

SALE DATE:	[Tuesday, May 25, 2021*] (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)
TIME:	__:___ a.m.,* California time for the Series 2021C[-__] Bonds __:__ a.m.,* California time for the Series 2021D[-__] Bonds __:__ a.m.,* California time for the Series 2021E[-__] Bonds
PLACE:	Ipreo LLC's BiDCOMP™/PARITY® System at www.newissuehome.i-deal.com
DELIVERY DATE:	________, 2021*

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* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$122,785,000*
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014),
SERIES 2021C[-1/C-2]

$421,310,000*
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020),
SERIES 2021D[-1/D-2]

$87,345,000*
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020),
SERIES 2021E[-1/E-2]

NOTICE IS HEREBY GIVEN that electronic bids will be received in the manner described herein through the Ipreo LLC's BiDCOMP™/PARITY® System ("**Parity**") at www.newissuehome.i-deal.com for the purchase of all, but not less than all, of the above-captioned General Obligation Bonds (collectively the "**Bonds**" and individually each series thereof, the "**Series**") of the City and County of San Francisco ("**City**") as more particularly described herein. Bidding procedures and sale terms are as follows:

Issue: The Bonds of each Series are described in the City's Preliminary Official Statement for the Bonds dated ______, 2021* (the "**Preliminary Official Statement**").

Time: Bids for the Series 2021C[-__] Bonds must be received electronically by _:___ a.m., California time, on _______ 2021 (subject to postponement or cancellation in accordance with this Official Notice of Sale).

Bids for the Series 2021D[-__] Bonds must be received electronically by __:__ a.m., California time, on _______, 2021 (subject to postponement or cancellation in accordance with this Official Notice of Sale).

Bids for the Series 2021E[-__] Bonds must be received electronically by __:__ a.m., California time, on _______, 2021 (subject to postponement or cancellation in accordance with this Official Notice of Sale).

Place: Bidders may submit electronic bids only in the manner and subject to the terms and conditions described under "TERMS OF SALE **-** Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS FOR THE BONDS OR ANY SERIES THEREOF ON MAY __, 2021, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE - FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.

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* Preliminary, subject to change.

Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from:

Fieldman, Rolapp & Associates, Inc.
19900 MacArthur Blvd., Suite 1100
Irvine, California,
Telephone: 949-660-7308
Attention: Anna Sarabian (email: asarabian@fieldman.com)

(the "**Municipal Advisor**"), provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE - Postponement or Cancellation of Sale."

The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts of any serial maturity or mandatory sinking fund payment for any Series of the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE - Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement for additional information regarding the City, the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS - Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in "TERMS OF SALE - Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

THE AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS

CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. Each Series of the Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the winning bidder of such Series of the Bonds, (each, a "**Purchaser**"). The Bonds will be dated the date of delivery, which is expected to be _______, 2021*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

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

Interest Rates. Interest on the Bonds will be payable on December 15, 2021 for the Bonds and semiannually thereafter on December 15 and June 15 of each year (each an "**Interest Payment Date**"). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

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

(ii) no Bond shall bear a zero rate of interest;

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

(iv) all Bonds maturing at any one time shall bear the same rate of interest;

(v) Series 2021C[-__] Bonds:

  (1) the minimum interest rate bid for any maturity shall not be less than ____% per annum;

  (2) the maximum interest rate bid for any maturity shall not exceed ____% per annum;

  (3) the purchase price shall not be less than 100.00%;

(vi) Series 2021D[-__] Bonds:

  (1) the minimum interest rate bid for any maturity shall not be less than ____% per annum;

* Preliminary; subject to change.

(2) the maximum interest rate bid for any maturity shall not exceed ____% per annum;

(3) the purchase price shall not be less than 100.00%; and

(vii) <u>Series 2021E[-__] Bonds</u>:

(1) the minimum interest rate bid for any maturity shall not be less than ____% per annum;

(2) the maximum interest rate bid for any maturity shall not exceed ____% per annum;

(3) the purchase price shall not be less than 100.00%.

See the Preliminary Official Statement – "THE BONDS – Payment of Interest and Principal."

[Remainder of page intentionally left blank]

Principal Payments of the Series 2021C[-__] Bonds. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "—Adjustment of Principal Payments"), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2021C[-__] Bonds in each year is as follows:

Series 2021C[-__] Bonds

Maturity Date (June 15)	**Principal Amount***
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
2045	
2046	
TOTAL	$

* Preliminary; subject to change.

Principal Payments of the Series 2021D[-__] Bonds. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "—Adjustment of Principal Payments"), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2021D[-__] Bonds in each year is as follows:

Series 2021D[-__] Bonds

Maturity Date (June 15)	**Principal Amount***
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
2045	
2046	
TOTAL	$

Principal Payments of the Series 2021E[-__] Bonds. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "—Adjustment of Principal Payments"), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2021E[-__] Bonds in each year is as follows:

* Preliminary; subject to change.

Series 2021E[-__] Bonds

Maturity Date (June 15)	Principal Amount*
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
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2045	
2046	
TOTAL	$

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above for a Series of the Bonds after the determination of the winning bidder therefor, by adjusting one or more of the principal payments of such Series of Bonds, in increments of $5,000 or to eliminate maturities in their entirety, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to a Series of Bonds shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for such Series of Bonds. Any such adjustment will not change the average per Bond dollar amount of the applicable underwriter's discount. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the City. In the**

* Preliminary; subject to change.

event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no winning bid may be withdrawn.

See also "TERMS OF SALE - Right to Modify or Amend" regarding the City's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for any Series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

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

Redemption.

(i) Optional Redemption of the Series 2021C[-__] Bonds. The Series 2021C[-__] Bonds maturing on or after June 15, 202__, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 202__, at a redemption price equal to the principal amount of the Series 2021C[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption, refer to the definitions under "THE BONDS – Redemption - *Optional Redemption of the 2021C Bonds*" in the Preliminary Official Statement.

(ii) Mandatory Redemption of the Series 2021C[-__] Bonds. The Bonds shall be issued as serial maturities, as shown in the table above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2021C[-__] Bonds, set forth in the maturity schedule under "-Principal Payments of the Bonds" above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2021C[-__] Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to "-Adjustment of Principal Payments" above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2021C[-__] term Bonds are designated, all Series 2021C[-__] term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – "THE BONDS - Redemption - *Mandatory Redemption of the 2021C Bonds*."

(iii) Optional Redemption of the Series 2021D-__ Bonds. The Series 2021D[-__] Bonds maturing on or after June 15, 202__, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 202__, at a redemption price equal to the principal amount of the Series 2021D[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption, refer to the definitions under "THE BONDS – Redemption - *Optional Redemption of the 2021D Bonds*" in the Preliminary Official Statement.

(iv) Mandatory Redemption of the Series 2021D[-__] Bonds. The Bonds shall be issued as serial maturities, as shown in the table above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2021D[-__] Bonds, set forth in the maturity schedule under "-Principal Payments of the Bonds" above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2021D[-__] Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to "-Adjustment of Principal Payments" above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2021D[-__] term Bonds are designated, all Series 2021D[-__] term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – "THE BONDS - Redemption - *Mandatory Redemption of the 2021D Bonds*."

(v) Optional Redemption of the Series 2021E[-__] Bonds. The Series 2021E[-__] Bonds maturing on or after June 15, 202__, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 202__, at a redemption price equal to the principal amount of the Series 2021E[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption, refer to the definitions under "THE BONDS – Redemption - *Optional Redemption of the 2021E Bonds*" in the Preliminary Official Statement.

(vi) Mandatory Redemption of the Series 2021E[-__] Bonds. The Bonds shall be issued as serial maturities, as shown in the table above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2021E[-__] Bonds, set forth in the maturity schedule under "-Principal Payments of the Bonds" above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2021E[-__] Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to "-Adjustment of Principal Payments" above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2021E[-__] term Bonds are designated, all Series 2021E[-__] term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – "THE BONDS - Redemption - *Mandatory Redemption of the 2021E Bonds*."

[(vii) No Redemption of the Series 2021_ Bonds. The Series 2021_ Bonds are not subject to redemption prior to maturity.]

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Norton Rose Fulbright US LLP and Curls Bartling P.C., Co-Bond Counsel to the City ("**Co-Bond Counsel**"), will deliver their separate legal opinions as to the validity, enforceability and tax status of each Series of the Bonds.

A complete copy of the proposed form of each opinion of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. Copies of the opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

Par and Premium Bids; No Net Discount Bids. All bids for each Series of Bonds shall be for par or more; no net discount bids for any Series of Bonds will be accepted. No bid submitted at a price less than the aggregate par value of a Series of Bonds will be considered. Individual maturities of any Series of Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for a Series of Bonds must be: (1) for not less than all of a Series of Bonds offered for sale; (2) unconditional; and (3) submitted via Parity. Bids must conform to the procedures established by Parity.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. The submission of a bid electronically via Parity shall constitute and be deemed the bidder's signature on the bid for the purchase of the Bonds.

If the sale of a Series of Bonds is canceled or postponed, any bids received prior to such cancellation or postponement shall be rejected. No bid submitted to the City shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The City retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete or nonconforming with this Official Notice of Sale or has not been received.

Bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact the Municipal Advisor at the number provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Municipal Advisor or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

When a bidder submits an electronic bid for a Series of Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; and (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for a Series of Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted and executed on the bidder's behalf by a duly authorized signatory.

Process of Award. The City will take final action awarding each Series of Bonds or rejecting all bids for a Series of Bonds not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the winning bidder.

The following five (5) steps constitute the City's process for a final award of each Series of Bonds:

(1) The Municipal Advisor, on behalf of the City, will give a verbal notice of award of the Bonds to the apparent winning bidder ("**Apparent Winning Bidder**") to be determined as described below under "–Basis of Award;"

(2) Such Apparent Winning Bidder shall, promptly after such verbal award, but no later than one hour after the City has given notice of such verbal award, fax or email to the City (in c/o its Municipal Advisor and to the City's Controller's Office, Director of Public Finance at the fax and/or email addresses provided for such purpose) a signed copy of their bid;

(3) The Apparent Winning Bidder shall provide the Good Faith Deposit, as described under "–Good Faith Deposit;"

(4) The Municipal Advisor will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Bonds, after adjustments, if any, are made, as described under "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments;" and

(5) The City will fax or email to the Apparent Winning Bidder its written final award (a "**Certificate of Award**").

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series of Bonds and will be contractually bound by the terms of this Official Notice of Sale to purchase the Bonds, which contract shall consist of: (a) this Official Notice of Sale; (b) the bid transmitted electronically by the bidder through Parity; and (c) the Certificate of Award.

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

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

Multiple Bids. In the event multiple bids with respect to a Series of Bonds are received from a single bidder by any means or combination thereof, the City shall be entitled to accept the bid representing the lowest true interest cost to the City, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the City.

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder to comply with the terms of its bid, the Apparent Winning Bidder for each Series must provide to the City a good faith deposit (in the amount of: (i) $_____ for the Series 2021C[-__] Bonds; (ii) $__________ for the Series 2021D[-__] Bonds; and $________ for the Series 2021E[-__] Bonds, each, a "**Good Faith Deposit**") for such Series.

Upon the determination by the City of the Apparent Winning Bidder of the Bonds, the Municipal Advisor will (i) provide to the Apparent Winning Bidder of such Series of Bonds the wire transfer information and (ii) request the Apparent Winning Bidder to immediately wire the Good Faith Deposit to the City. No later than ninety (90) minutes after the time the Municipal Advisor requests the Apparent Winning Bidder to wire the Good Faith Deposit to the City, the Apparent Winning Bidder of such Series of the Bonds must wire the applicable Good Faith Deposit to the City and provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor. In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit to the City or does not provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor within the time specified above, the City may reject the bid of the Apparent Winning Bidder and award such Series of Bonds to a responsible bidder that submitted a conforming bid that represents the next lowest true interest cost to the City.

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

If the purchase price is not paid in full upon tender of a Series of Bonds, the City shall retain the applicable Good Faith Deposit and the Purchaser will have no right in or to such Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that such Series of Bonds would not be validly delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See “CLOSING PROCEDURES AND DOCUMENTS - Right of Cancellation.” In the event of nonpayment for such Series of Bonds by a winning bidder, the City reserves any and all rights granted by law to recover the full purchase price of such Series of Bonds and, in addition, any damages suffered by the City.

Reoffering Prices, Establishment of Issue Price and Issue Price Certificate (Hold-the-Offering-Price Rule Will Apply if Competitive Sale Requirements Are Not Satisfied).

(a) The Purchaser(s) for each of the Series 2021C[-__] Bonds, Series 2021D[-__] Bonds and Series 2021E[-__] Bonds (collectively the “Tax-Exempt Bonds”)] shall assist the City in establishing the issue price of such Series and shall execute and deliver to the City at Closing an “issue price” or similar certificate for such Series setting forth the reasonably expected initial offering price to the public of each of such Series, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Purchaser(s) the City and Co-Bond Counsel.

(b) The City intends that Sections 1.148-1(f)(2)(iii) and 1.148-1(f)(3)(i) (providing a special rule establishing the issue price of the competitively sold bonds and defining the term “competitive sale”) will apply to the initial sale of each Series of Tax-Exempt Bonds (the “**competitive sale requirements**”) because:

(1) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid on one or more Series;

(3) the City may receive bids for each of the Series from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the sale of each Series to the bidder that submits a firm offer to purchase the particular Series at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of such Series of Bonds as specified in the bid.

(c) If the competitive sale requirements are not satisfied with respect to a Series, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of such Series as the issue price of that maturity (the “**hold-the-offering- price rule**”). The City shall promptly advise the winning bidder, at or before the time of award of a particular Series, if the competitive sale requirements were not satisfied for that Series, in which case the hold-the- offering-price rule shall apply to that Series. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied with respect to a Series, and the hold-the-offering-price rule will thus apply to any maturity of such Series as to which less than 10% of the maturity was sold by the winning bidder to the public at a single price. Bidders should prepare their bids on the assumption that some or all maturities of each Series will be subject to the hold-the-offering-price rule in order to establish the issue prices of that Series.

(d) By submitting a bid for any Series, , the winning bidder shall (i) confirm that the underwriters have offered or will offer the Tax-Exempt Bonds of that Series to the public on or before the date of award at the offering price or prices ("**initial offering price"**), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the particular Series, that the underwriters will neither offer nor sell unsold Tax-Exempt Bonds of such Series of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity to the public at a price that is no higher than such maturity's initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of a Series to the public, the agreement of each dealer that is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of a Series to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to one or more maturities of a particular Series.

(f) By submitting a bid for a Series, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of such Series to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity of such Series allotted to it and subject to the hold-the-offering-price rule until it is notified by the winning bidder that the hold-the-offering-price rule no longer applies to such maturity, and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Series to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of such Series to the public to require each broker-dealer that is a party to such retail or other third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Tax-Exempt Bonds of each maturity of such Series allotted to it and subject to the hold-the-offering-price rule until it is notified by the winning bidder or such underwriter that the hold-the-offering-price rule no longer applies to such maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(g) Sales of the Tax-Exempt Bonds of any Series to any person that is a related party to an underwriter of any Series shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of any Series of the Tax-Exempt Bonds to the public),

(iii) a purchaser of the Tax-Exempt Bonds of any Series is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" for a particular Series means the date on which such Series are awarded by the City to the winning bidder for that Series.

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

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the City's right to adjust the payment amounts of the Bonds as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" the City reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for any Series of Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Official Notice of Sale (see "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

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

Prompt Award. The Controller's Office of Public Finance of the City will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than thirty (30) hours after the time for receipt of bids for each Series of Bonds, unless such time period is waived by the Purchaser.

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

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of each Series of Bonds to persons outside the United States.

Insurance. No bids with municipal bond insurance will be accepted.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about ______, 2021**[*]. Payment for the delivery of the Bonds of each Series shall be coordinated at the offices of Norton Rose Fulbright US LLP, in Los Angeles, California, or at such other place as may be mutually agreed upon by the City and each Purchaser. Such payment and delivery is called the "Closing." Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser. The City will deliver to the Purchaser of each Series of Bonds, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F to the Preliminary Official Statement.

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

No Litigation. The City will deliver a certificate stating that no litigation of any nature is pending, or to the knowledge of the officer of the City executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the City, or concerning the validity of the Bonds, the ability of the City to levy and collect the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence or the boundaries of the City, or the entitlement of any officers of the City who will execute the Bonds to their respective offices.

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

CUSIP Numbers. The Municipal Advisor will timely apply for CUSIP numbers with respect to the Bonds as required by Municipal Securities Rulemaking Board's Rule G-34. The Purchaser will be responsible for the cost of assignment of such CUSIP numbers and any CUSIP Service Bureau charges related to the Bonds awarded to such Purchaser. The Purchaser shall also notify the CUSIP Service Bureau as to the final structure of the Bonds awarded to such Purchaser.

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or

[*] Preliminary; subject to change.

refusal by the Purchaser to accept delivery of and pay for such Bonds in accordance with the terms hereof.

CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The City takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of each Series of Bonds.

Expenses of the Purchaser(s). CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the Purchaser(s) will be the responsibility of the Purchaser of each Series. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within sixty (60) days from the sale date, the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder through Elabra www.elabra.com or upon request to the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information as permitted by Rule 15c2-12. Within seven (7) business days after the date of award of the Bonds, the Purchaser of each Series of Bonds will be furnished with a reasonable number of copies (not to exceed fifty (50)) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of each Series of Bonds must notify the City in writing within two (2) days of the sale of the Bonds if such Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

Certificate Regarding Official Statement. At the time of delivery of the Bonds, each Purchaser will receive a Certificate, signed by an authorized representative of the City, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of delivery of the Bonds, 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, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the City that would make it unreasonable for such Purchaser to rely upon the final Official Statement in connection with the resale of the each Series of Bonds, and (iii) the City authorizes the Purchaser to distribute copies of the final Official Statement in connection with the resale of its Series of Bonds.

Purchaser's Certificate Concerning Official Statement. As a condition of delivery of each Series of the Bonds, the Purchaser of such Series of Bonds will be required to execute and deliver to the City, prior to the date of Closing, a certificate to the following effect:

(i) The Purchaser has provided to the City the initial reoffering prices or yields on such Series of Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of such Series of Bonds to the public at the prices and yields so shown.

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the City of the need to modify or supplement the final Official Statement.

(iii) The foregoing statements will be true and correct as of the date of Closing.

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

Except as otherwise disclosed in the Official Statement under the heading "CONTINUING DISCLOSURE," for the past five years, the City has been in compliance in all material respects with its continuing disclosure obligations under Rule 15c2-12.

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form at Elabra at www.elabra.com or the Municipal Advisor.

Dated: ______, 2021.

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE
(IF 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)]

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED IN THE OFFICIAL NOTICE OF SALE)

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(__________),
SERIES 2021__

This certificate is being delivered by [Purchaser], the purchaser ("Purchaser") in connection with the issuance of the City and County of San Francisco General Obligation Bonds, Series 2021__ ("Bonds"). The Purchaser hereby certifies and represents that:

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A ("Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Issuer* means the City and County of San Francisco.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

(d) *Related Party* means any entity if an Underwriter and the entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of

* Preliminary, subject to change.

their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the date of execution of a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ______, 2021.

(f) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a tax certificate with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Curls Bartling P.C., Co-Bond Counsel, in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By:________________________________

Name:______________________________

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF PURCHASER'S BID

(*Attached*)

[FORM OF ISSUE PRICE CERTIFICATE
(IF LESS THAN 3 BIDS FROM COMPETITIVE PROVIDERS ARE RECEIVED)]

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED IN THE OFFICIAL NOTICE OF SALE)

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(___________),
SERIES 2021__

The undersigned, on behalf of _____________("Purchaser"), hereby certifies as set forth below with respect to the issuance of the above-captioned obligations ("Bonds") of the City and County of San Francisco ("City").

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A ("Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Official Notice of Sale, the Purchaser agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity ("hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the- Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities.

* Preliminary, subject to change.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Purchaser sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

(f) *Related Party* means any entity if an Underwriter and the entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2021.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the tax certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Curls Bartling P.C., Co-Bond Counsel, in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the City from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By:____________________________________

Name:__________________________________

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(*Attached*)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

NOTICE OF INTENTION TO SELL

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

$122,785,000* **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014), SERIES 2021C[-1/C-2]**	**$421,310,000*** **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (HEALTH AND RECOVERY, 2020), SERIES 2021D[-1/D-2]**	**$87,345,000*** **[TAX-EXEMPT][TAXABLE] GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020), SERIES 2021E[-1/E-2]**

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "*City*") intends to offer the above-captioned general obligation bonds (the "*Bonds*") for public sale on or around:

[Tuesday, May 25], 2021*

at __:_ a.m.*	**at __:__ a.m.***	**at __:__ a.m.***
(California time)	**(California time)**	**(California time)**
Series 2021[C-_]	**Series 2021[D-_]**	**Series 2021[E-_]**
Bonds	**Bonds**	**Bonds**

(subject to modification, postponement or cancellation in accordance with the Official Notice of Sale)
by electronic bids **only**
through Ipreo LLC's BiDCOMP™/PARITY® System ("*Parity*").

The City reserves the right to postpone or cancel the sale of the Bonds or any series thereof or to change the terms thereof upon notice given through Thomson Reuters and Bloomberg Business News (collectively, the "*News Services*") and/or Parity. If no bid is awarded for the Bonds, the City may reschedule the sale of the Bonds to another date or time by providing notification through Parity and/or the News Services.

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around May __, 2021 (the "*Official Notice of Sale*") relating to the Bonds. Additional information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds, dated on or around May __, 2021 (the "*Preliminary Official Statement*"), and the Official Notice of Sale, are expected to be available electronically at Elabra www.elabra.com on or around May __, 2021, and may also be obtained from the City's Municipal Advisor: Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Blvd., Suite 1100, Irvine, California, telephone 949-660-7308, attention: Anna Sarabian (email: asarabian@fieldman.com). Failure of any bidder to receive such notice shall not affect the legality of the sale.

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* Preliminary, subject to change.

Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend the Official Notice of Sale in any respect, as more fully described in the Official Notice of Sale; provided, that any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids for the Bonds or as otherwise described in the Official Notice of Sale. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. The City reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Dated: May ___, 2021

* *Preliminary, subject to change.*

$122,785,000
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014),
SERIES 2021C[-1/C-2]

$421,310,000
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020), SERIES 2021D[-1/D-2]

$87,345,000
[TAX-EXEMPT][TAXABLE]
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020),
SERIES 2021E[-1/E-2]

PURCHASE CONTRACT

[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 [Representative] ("Representative"), on its own behalf and as representative of [Underwriters] (together with the Representative, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco ("City") to purchase the general obligation bonds captioned above ("Bonds"), subject to the terms and conditions herein. Upon the acceptance of this offer by the City, this Purchase Contract ("Purchase Contract") will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Bonds is otherwise terminated pursuant to Section 11(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the City shall be free to sell the Bonds to any other party.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Resolutions (as hereinafter defined).

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 Contract, the Underwriters hereby jointly and severally agree to purchase from the City, and the City agrees to sell and deliver to the Underwriters, all (but not less than all) of the: (i) $[Par Amount] aggregate principal amount of Series 2021C[-__] Bonds; (ii) the $[Par Amount] aggregate principal amount of the Series 2021D[-__] Bonds; and (iii) the $[Par Amount] aggregate principal amount of the Series 2021E[-__] Bonds.

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto.

The purchase price for the Series 2021C[-__] Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2021C[-__] Bonds in the amount of $_________, plus [net] original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $[Underwriter's Discount]. The purchase price for the Series 2021D[-__] Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2021D[-__] Bonds in the amount of $_________, plus [net] original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $[Underwriter's Discount]. The purchase price for the Series 2021E[-__] Bonds shall be $_________, calculated as the aggregate principal amount of the Series 2021E[-__] Bonds in the amount of $_________, plus [net] original issue premium in the amount of $_______ and less an aggregate underwriters' discount in the amount of $[Underwriter's Discount]. The net purchase price due at Closing for the Bonds shall be the aggregate of the purchase price for each Series of Bonds.

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

Section 2. 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, delivery date, ratings and other terms of the Bonds dependent on such matters.

The City shall provide the Underwriters, within 7 business days after the date hereof (but in any event at least 2 business days prior to the Closing Date (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. 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 (as defined herein), the Official Statement with Municipal Securities Rulemaking Board Rule G-32 ("MSRB"), or its designees. The Official Statement, including the appendices thereto, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. The Bonds and City Documents. The Bonds shall be as described in and shall be issued and secured under the provisions of the following resolutions (collectively, the "Resolutions"):

- Resolution No. 193-15 entitled "Resolution providing for the issuance of not to exceed $500,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014); authorizing the execution, authentication, and registration of said bonds; providing for the levy of a tax to pay the principal and interest thereof;

providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds" adopted by the Board of Supervisors of the City (the "Board of Supervisors") on June 2, 2015 and duly approved by the Mayor of the City on June 9, 2015, and

- Resolution No. __-21 entitled "Resolution authorizing the issuance and sale of not to exceed [$122,785,000] aggregate principal amount on a tax-exempt or taxable basis of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series 2021C; prescribing the form and terms of such bonds and any subseries designation; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds" adopted by the Board of Supervisors on ______, 2021 and duly approved by the Mayor of the City on _______, 2021, and

- Resolution No __-21 entitled "Resolution providing for the issuance of not to exceed [$487,500,000] aggregate principal amount of City and County of San Francisco General Obligation Bonds (Health and Recovery, 2020); authorizing the issuance and sale of such bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines and Chapter 31 of the Administrative Code; finding that the proposed projects are in conformity with the priority policies of Section 101.1 of the Planning Code and with the General Plan consistency requirement of Section 4.105 of the Charter and Section 2A.53 of the Administrative Code; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the issuance and sale of such bonds" adopted by the Board of Supervisors on ________, 2021 and duly approved by the Mayor of the City on _______, 2021, and

- Resolution No. __-21 entitled "Resolution authorizing the issuance and sale of not to exceed [$425,000,000] aggregate principal amount on a tax-exempt or taxable basis of City and County of San Francisco General Obligation Bonds (Health and Recovery, 2020), Series 2021D; prescribing the form and terms of such bonds and any subseries designation; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds" adopted by the Board of Supervisors on ________, 2021 and duly approved by the Mayor of the City on _______, 2021, and

• Resolution No 23-21 entitled "Resolution providing for the issuance of not to exceed $628,500,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2020); authorizing the issuance and sale of such bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines and Chapter 31 of the Administrative Code; finding that the proposed projects are in conformity with the priority policies of Section 101.1 of the Planning Code and with the General Plan consistency requirement of Section 4.105 of the Charter and Section 2A.53 of the Administrative Code; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the issuance and sale of such bonds" adopted by the Board of Supervisors on January 26, 2021 and duly approved by the Mayor of the City on February 5, 2021, and

• Resolution No. __-21 entitled "Resolution authorizing the issuance and sale of not to exceed [$90,000,000] aggregate principal amount on a tax-exempt or taxable basis of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2020), Series 2021E; prescribing the form and terms of such bonds and any subseries designation; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds" adopted by the Board of Supervisors on ________, 2021 and duly approved by the Mayor of the City on _______, 2021.

Section 4. Description of the Bonds. The Bonds shall be payable, and shall be subject to prepayment prior to their respective stated maturities, as provided in the Resolutions and as described in the Official Statement. The Bonds are secured by *ad valorem* taxes that the Board of Supervisors of the City has the power and is obligated, and under the Resolutions has covenanted, to levy without limitation as to rate or amount upon all property subject to taxation by the City (except certain property which is taxable at limited rates) for the payment of the principal of and interest on the Bonds when due.

Section 5. Purpose of the Bonds. The Series 2021C Bonds are being issued for the purpose of providing funds to (a) construct, redesign and rebuild streets and sidewalks and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, and improve disabled access, and (b) pay costs related to the issuance of the Series 2021C Bonds. The Series 2021D Bonds are being issued for the purpose of providing funds to (a) finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve accessibility, safety and condition of the City's streets and other public right-of-way and related assets,, and (b) pay costs related to the issuance of the Series 2021D Bonds. The Series 2021E Bonds are being issued for the purpose of providing funds to (a) improve 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 (b) pay costs related to the issuance of the Series 2021E Bonds.

This Purchase Contract and the Continuing Disclosure Certificate are sometimes referred to in this Purchase Contract as the "City Documents."

Section 6. City Representations, Covenants and Agreements. The City represents and covenants and agrees with each of the Underwriters that as of the date hereof:

(a) The City has full legal right, power and authority to enter into the City Documents, to approve the Resolutions, and to observe, perform and consummate the covenants, agreements and transactions contemplated by the City Documents and the Resolutions; by all necessary official action of the City, the City has duly adopted the Resolutions prior to or concurrently with the acceptance hereof and has approved the Preliminary Official Statement and the Official Statement; the Resolutions are in full force and effect and have not been amended, modified, rescinded or challenged by referendum; the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in, the Resolutions and the City Documents; the City has duly authorized and approved 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 Resolutions and the City Documents.

(b) As of its date 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) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement (as hereinafter defined) 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) 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 Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the City to the contrary on or prior to such date.

(d) If the Official Statement is supplemented or amended pursuant to Section 6(e), 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) 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.

(e) 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 occurs or any fact or condition becomes known to the City that might or 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 Representative thereof, and (ii) if in the reasonable opinion of the City or the Representative 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 Representative, which approval shall not be unreasonably withheld.

(f) 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 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, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument; and the execution and delivery of the City Documents, the adoption of the Resolutions and compliance with the provisions of the City Documents and the Resolutions will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject, or by which it or any of its properties is bound, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its properties or under the terms of any such law, regulation or instrument, except as permitted by the City Documents and the Resolutions.

(g) 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 after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City: (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 execution or delivery of any of the Bonds, or the payment of the principal and interest with respect to the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds or the tax-exempt status of the interest on the Bonds, the Resolutions, or the City Documents, or contesting the powers of the City or any authority for the execution and delivery of the Bonds, the approval of the Resolutions or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse change relating to the business, operations or financial condition of the City or the City's ability to levy and collect the *ad valorem* property taxes securing the Bonds, or otherwise satisfy its payment obligations with respect to the Bonds; 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.

(h) 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 Representative 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 Representative, 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.

(i) The City Documents, when executed or adopted by the City, and the Bonds, when duly authenticated and delivered, 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.

(j) 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 and the Resolutions 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.

(k) The financial statements of the City for the fiscal year ended June 30, 2020, set forth as an Appendix to the Preliminary Official Statement and the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Preliminary Official Statement and the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(l) The City has never defaulted in the payment of principal or interest with respect to any of its general obligation bonds.

(m) The City will undertake, pursuant to the Resolutions 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. Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12.

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

<u>Section 7.</u> <u>Underwriters' Representations, Covenants and Agreements</u>. Each of the Underwriters represents and covenants and agrees with the City that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

(b) 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.

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

<u>Section 8.</u> <u>Offering</u>. It shall be a condition to the City's obligations to sell and to deliver the Bonds 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 issued, sold 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 Representative 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 to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. 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 stated on the cover of the Official Statement. Each of 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. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

[Section 9. Establishment of Issue Price.

The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price for each of the Series 2021C[-__], Series 2021D[-__] Bonds and Series 2021E[-__] Bons (collectively, the "Tax-Exempt Bonds") and shall execute and deliver to the City at Closing an "issue price" or similar certificate for such Series, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit C**, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Co-Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices of each maturity of such Series to the public. All actions to be taken by the City under this section to establish the issue price of each Series may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the particular Series, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of a Series to the public, the agreement of each dealer that is a member of the selling group to comply with the requirements for establishing the issue price of a Series, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer that is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of a Series, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule, and that no underwriters shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to one or more maturities of a particular Series.

[Subsection (c) shall apply only if the Representative agrees to apply the hold-the-offering-price rule, as described below.]

(c) The Representative confirms that the Underwriters have offered the Tax-Exempt Bonds of that Series to the public on or before the date of this Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule [I] attached hereto, except as otherwise set forth therein. Schedule [I] also sets forth, as of the date of this Purchase Contract, the maturities, if any, of a Series for which the 10% test has not been satisfied with respect to a Series and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each maturity of such Series as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturities of a Series, the Underwriters will neither offer nor sell unsold Tax-Exempt Bonds of such Series any maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the City after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity to the public at a price that is no higher than such maturity's initial offering price to the public.

(d) The Representative confirms that:

1. any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2021__ Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer that is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to:

(A)(i) report the prices at which it sells to the public the unsold Series 2021__ Bonds of any maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2021__ Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2021__ Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) comply with the hold-the-offering- price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Series 2021__ Bonds that, to its knowledge, are made to a purchaser that is a related party to an underwriter participating in the initial sale of the Series 2021__ Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

2. any agreement among underwriters or selling group agreement

relating to the initial sale of Series 2021__ Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of Series 2021__ Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2021__ Bonds of that maturity allocated to it have been sold or until it is notified by the Representative or the Underwriter or dealer that the 10% test has been satisfied as to the Series 2021__ Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(f) The Underwriters acknowledge that sales of Tax-Exempt Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an underwriter or a related party to an underwriter,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of Tax-Exempt Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Tax-Exempt Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of Bonds to the public),

(iii) a purchaser of the Tax-Exempt Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" for a particular Series means the date of execution of this Purchase Contract by all parties.]

<u>Section 10.</u> <u>Closing</u>. 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 Representative (the "Closing

Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 11(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Bonds set forth in Section 1.

Payment for the delivery of the Bonds shall be coordinated at the offices of Norton Rose Fulbright US LLP, in Los Angeles, California, or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the "Closing." The Representative 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 Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Physical delivery of the Bonds shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be made available to the Representative for checking not less than 2 business days prior to the Closing.

Section 11. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the representations and warranties 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 Resolutions 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 Representative;

(c) (1) the Underwriters shall have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the City after good faith discussions with the City, if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds:

(i) any event shall have occurred or any fact or condition shall have become known which, in the sole reasonable judgment of the Underwriters following consultation with the City, Co-Bond Counsel and Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) 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 case, 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

(ii) 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 ("SEC") 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 Resolutions under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies;

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds or 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, the Underwriters; or

(iv) any state blue sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(2) The Underwriters shall also have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the City, after good faith discussion with the City, if at any time after the date of this Purchase Contract and prior to the Closing if any of the following occurs and in the reasonable judgment of the Representative would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds:

(i) there shall have occurred any materially adverse change in the affairs or financial condition of the City, except for changes which the Official Statement discloses are expected to occur;

(ii) there shall have occurred or any notice shall have been given of any, downgrading, suspension, withdrawal, or negative change in credit watch status by Moody's Investors Service, S&P Global Ratings and Fitch Ratings Inc. or any other national rating service to any of the City's obligations (including the ratings to be accorded the Bonds);

(iii) any proceeding shall have been commenced or be threatened in writing by the SEC against the City;

(iv) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived pursuant to the Resolutions which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Bonds) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(v) the declaration of war or engagement in, or escalation of, military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(vi) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or the establishment of minimum prices on such national securities exchanges, or the establishment of material restrictions (not in force as the date hereof) upon trading securities generally by any governmental authority or any national securities exchange or a material disruption in commercial banking or securities settlement or clearances services shall have occurred; or

(vii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the SEC, 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;

(viii) the purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

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

(1) the Official Statement, together with any supplements or amendments thereto in the event 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;

(2) copies of the adopted Resolutions, certified by the Clerk of the Board of Supervisors as having been duly enacted by the Board of Supervisors of the City and as being in full force and effect;

(3) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as **Exhibit B**;

(4) an opinion of the City Attorney of the City addressed solely to the City substantially in the form acceptable to the City and the Underwriters, substantially in the form attached hereto as **Exhibit C**;

(5) opinions of Norton Rose Fulbright US LLP and Curls Bartling P.C. (collectively, "Co-Bond Counsel"), in substantially the form set forth in Appendix F to the Official Statement;

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

(7) negative assurance letters from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth LLP (collectively, "Co-Disclosure Counsel"), addressed to the City and the City Attorney, with a reliance letter to the Representative substantially in the form attached hereto as **Exhibit E and Exhibit F**;

(8) a letter of __________, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

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

(10) evidence satisfactory to the Representative that Moody's Investors Service, Inc., S& P Global Ratings and Fitch Ratings, Inc. have assigned ratings to the Bonds set forth in the Preliminary Official Statement;

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

(12) such additional legal opinions, certificates, instruments or other documents as the Representative may reasonably request to evidence the truth and accuracy, as of the date of this Purchase Contract and as of the Closing Date, of the City's

representations and warranties 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.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel (provided that the letter described in subsection (d)(7) above shall be deemed satisfactory for purposes of this paragraph). If the City is 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 Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract 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 12 of this Purchase Contract shall continue in full force and effect.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 12(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 Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel, Co-Disclosure Counsel and Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor"); (ii) the fees and disbursements of the City, of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Bonds; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(b) The Underwriters shall pay (from the expense component of the underwriting discount) 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 and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters (by way of paying the expense component of the underwriting discount) for such fees.

Section 13. Notices. Any notice or other communication to be given to the City under this Purchase Contract 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 Contract may be given by delivering the same in writing to the Representative:

If to the City:

City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864

If to the Underwriters:

____
____
____
____
Telephone: ____________________
Fax: _________________________

Section 14. Parties in Interest. This Purchase Contract 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 Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 15. Mandatory City Contracting Provisions. The City Contracting Requirements set forth in **Exhibit A**, attached hereto, are incorporated herein by this reference.

Section 16. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract 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 Contract.

Section 17. Counterparts. This Purchase Contract 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 Contract by signing any such counterpart.

Section 18. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 19. Arm's Length Transaction. The City acknowledges that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the City and the Underwriters, (ii) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the City and may have financial and other interests that differ from those of the City, irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters; and (iii) the City has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 20. Entire Agreement. This Purchase Contract 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 Contract may only be amended by a writing executed by the authorized representatives of the parties.

Section 21. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 22. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITERS]

By: [REPRESENTATIVE],
as Representative of the Underwriters

By:____________________________________
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

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

ACCEPTED at __ p.m. Pacific Time this____day of____, 2021

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: ____________________________________
MARK D. BLAKE
Deputy City Attorney

SCHEDULE I

$______________
Series 2021C[-1/C-2] Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	Price

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$______________
Series 2021D[-1/D-2] Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	Price

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$______________

Series 2021E[-1/E-2] Bonds

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	Price

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

$_________ ____% Term Bonds Due __________ 1, 20__, Yield: ____%, Price: ______%

REDEMPTION PROVISIONS

Optional Redemption of the Series 2021C[-__] Bonds

The Series 2021C[-__] Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, fin each case on or after June 15, 20__, at the redemption price equal to the principal amount of the Series 2021C[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Mandatory Redemption of the Series 2021C[-__] Bonds

The Series 2021C[-__] Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

† Maturity

Optional Redemption of the Series 2021D[-__] Bonds

The Series 2021D[-__] Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on or after June 15, 20__, at the redemption price equal to the principal amount of the Series 2021D[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption of the Series 2021D Bonds

The Series 2021D[-__] Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

	$

† Maturity

Optional Redemption of the Series 2021E[-__] Bonds

The Series 2021E[-__] Bonds maturing on or after June 15, 20__ will be subject to optional redemption prior to their respective stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on or after June 15, 20__, at the redemption price equal to the principal amount of the Series 2021E[-__] Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption of the Series 2021E[-__] Bonds

The Series 2021E[-__] Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

† Maturity

EXHIBIT A

CITY CONTRACTING REQUIREMENTS

Each underwriter shall comply with the following provisions of this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this exhibit shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

(a) *Non Discrimination in Contracts.* Each Underwriter shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Each Underwriter shall incorporate by reference in any subcontracts the provisions of Sections12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. Each Underwriter is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(b) *Nondiscrimination in the Provision of Employee Benefits. San Francisco Administrative Code 12B.2.* Each Underwriter does not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, 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 employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section12B.2.

(c) *Condition to Contract*. As a condition to the Purchase Contract, each 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.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated by this reference and made part of this Purchase Contract. By entering into this Purchase Contract, each Underwriter confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

3. Tropical Hardwood and Virgin Redwood Ban. Under San Francisco Environment Code Section 804(b), the City urges each Underwriter not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

4. Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require each Underwriter to remove from, City facilities personnel of such Underwriter who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City's ability to maintain safe work facilities or to protect the health and well-being of City employees and the general public. The City shall have the right of final approval

for the entry or re-entry of any such person previously denied access to, or removed from, City facilities. Illegal drug activity means possessing, furnishing, selling, offering, purchasing, using or being under the influence of illegal drugs or other controlled substances for which the individual lacks a valid prescription. Alcohol abuse means possessing, furnishing, selling, offering, or using alcoholic beverages, or being under the influence of alcohol.

5. Compliance with Americans with Disabilities Act. Each Underwriter shall provide the services specified in the Purchase Contract in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.

6. Sunshine Ordinance. Each Underwriter acknowledges that this Purchase Contract and all records related to its formation, such Underwriter's performance of services provided under the Purchase Contract, and the City's payment are subject to the California Public Records Act, (California Government Code §6250 et. seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state or local law.

7. Limitations on Contributions. By executing this Purchase Contract, each Underwriter acknowledges its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of 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 for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (1) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (2) a candidate for that City elective office held by such individual, or (3) a committee controlled by such elected official or a candidate for that office, at any time from the submission or a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of each Underwriter's board of directors; each Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 10 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Each Underwriter certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for such contract and has provided the names of the persons required to be informed to the City department with whom it is contracting.

8. Requiring Minimum Compensation for Covered Employees. Each Underwriter shall pay covered employees no less than the minimum compensation required by San Francisco Administrative Code Chapter 12P. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12P. By entering into this Purchase Contract, each Underwriter certifies that it is in compliance with Chapter 12P.

9. Requiring Health Benefits for Covered Employees. Each Underwriter shall comply with San Francisco Administrative Code Chapter 12Q. Each Underwriter shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative

Code Chapter 12Q.3. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12Q.

10. Prohibition on Political Activity with City Funds. In performing the services provided under the Purchase Contract, each Underwriter shall comply with San Francisco Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Purchase Contract from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12G.

11. Nondisclosure of Private, Proprietary or Confidential Information. If this Purchase Contract requires the City to disclose "Private Information" to an Underwriter within the meaning of San Francisco Administrative Code Chapter 12M, each Underwriter shall use such information consistent with the restrictions stated in Chapter 12M and in this Purchase Contract and only as necessary in performing the services provided under the Purchase Contract. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of services provided under the Purchase Contract, each Underwriter may have access to the City's proprietary or confidential information, the disclosure of which to third parties may damage the City. If the City discloses proprietary or confidential information to an Underwriter, such information must be held by such Underwriter in confidence and used only in performing the Purchase Contract. Each Underwriter shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary or confidential information.

12. Consideration of Criminal History in Hiring and Employment Decisions. Each Underwriter agrees to comply fully with and be bound by all of the provisions of Chapter 12T, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions," of the San Francisco Administrative Code ("Chapter 12T"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Chapter 12T are incorporated by reference and made a part of this Purchase Contract. The text of Chapter 12T is available on the web at http://sfgov.org/olse/fco. A partial listing of some of the Underwriters' obligations under Chapter 12T is set forth in this Section. Each Underwriter is required to comply with all of the applicable provisions of Chapter 12T, irrespective of the listing of obligations in this Section. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12T.

The requirements of Chapter 12T shall only apply to an Underwriter's operations to the extent those operations are in furtherance of the performance of this Purchase Contract, shall apply only to applicants and employees who would be or are performing work in furtherance of this Purchase Contract, and shall apply when the physical location of the employment or prospective employment of an individual is wholly or substantially within the City of San Francisco. Chapter 12T shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated

into this Purchase Contract. Under 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. 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.

14. Conflict of Interest. By entering into the Purchase Contract, each Underwriter certifies that it does not know of any fact which constitutes a violation of Section 15.103 of the City's Charter; Article III, Chapter 2 of City's Campaign and Governmental Conduct Code; Title 9, Chapter 7 of the California Government Code (Section 87100 et seq.), or Title 1, Division 4, Chapter 1, Article 4 of the California Government Code (Section 1090 et seq.), and further agrees promptly to notify the City if it becomes aware of any such fact during the term of this Purchase Contract.

15. Assignment. The services provided under the Purchase Contract to be performed by each Underwriter are personal in character and neither this Purchase Contract nor any duties or obligations may be assigned or delegated by an Underwriter unless first approved by the City by written instrument executed and approved in the same manner as this Purchase Contract. Any purported assignment made in violation of this provision shall be null and void.

16. Food Service Waste Reduction Requirements. Each Underwriter shall comply with the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including but not limited to the provided remedies for noncompliance.

17. Cooperative Drafting. This Purchase Contract has been drafted through a cooperative effort of the City and the Underwriters, and all parties have had an opportunity to have the Purchase Contract reviewed and revised by legal counsel. No party shall be considered the drafter of this Purchase Contract, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Purchase Contract.

18. Sugar-Sweetened Beverage Prohibition. Each Underwriter agrees that it will not sell, provide, or otherwise distribute Sugar-Sweetened Beverages, as defined by San Francisco Administrative Code Chapter 101, as part of its performance of this Purchase Contract.

19. First Source Hiring Program. Each Underwriter must comply with all of the provisions of the First Source Hiring Program, Chapter 83 of the San Francisco Administrative Code, that apply to this Purchase Contract, and each Underwriter is subject to the enforcement and penalty provisions in Chapter 83.

20. Laws Incorporated by Reference. The full text of the laws listed in this Exhibit A, including enforcement and penalty provisions, are incorporated into this Purchase Contract by reference. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Exhibit A are available at www.sfgov.org under "Open Gov."

21. Prevailing Wages. Services to be performed by the Underwriter under this Agreement may involve the performance of trade work covered by the provisions of Section 6.22(e) of the Administrative Code or Section 21C (collectively, "Covered Services"). The provisions of Section 6.22(e) and 21C of the Administrative Code are incorporated as provisions of this Agreement as if fully set forth herein and will apply to any Covered Services performed by each Underwriter.

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

[To come.]

EXHIBIT C

FORM OF THE CITY ATTORNEY OPINION

[To come.]

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[To come.]

EXHIBIT E

FORM OF NEGATIVE ASSURANCE LETTER OF CO-DISCLOSURE COUNSEL (HAWKINS DELAFIELD & WOOD)

[To come.]

EXHIBIT F

FORM OF NEGATIVE ASSURANCE LETTER OF CO-DISCLOSURE COUNSEL (STRADLING YOCCA CARLSON & RAUTH)

[To come.]

EXHIBIT G

FORM OF ISSUE PRICE CERTIFICATE

$[Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
[(________________)]
SERIES 2021_

The undersigned, on behalf of _________________ (the "[Underwriter] [Representative]"), [on its own behalf and as representative of ______________ (together with the Representative, the "Underwriters")] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the City and County of San Francisco ("City")

[Select appropriate provisions below.]

Sale of the General Rule Maturities. As of the date of this Certificate, for each Maturity of the [Bonds][10% Maturities], the first price at which a Substantial Amount of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

Initial Offering Price of the [Bonds][Undersold Maturities].

The Underwriter[s] offered the [Bonds][Undersold Maturities] to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

As set forth in the Purchase Contract, the Underwriter[s] have agreed in writing that, for each Maturity of the [Bonds][Undersold Maturities], [it][they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would [it][they] permit a related party to do so.

Defined Terms.

[(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the "10% Maturities."]

Maturity means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

[(c) *Hold-the Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."]

[(d) *Hold-the-Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10%of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.]

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than a Regulatory Underwriter or a related party to a Regulatory Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is ________, 2021.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

[(h) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the "Undersold Maturities."]

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Curls Bartling P.C., Co-Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF UNDERWRITER/REPRESENTATIVE]

By:____________________________________
Name:__________________________________

Schedule A

Sale Prices

10% Maturities

___ Not Applicable

___ Maturities Listed Below

$____________ General Obligation Bonds, Series 2021__

Maturity Date	Principal Amount	Interest Rate	Price	Yield

Undersold Maturities

___ Not Applicable

___ Maturities Listed Below

$____________ General Obligation Bonds, Series 2021__

Maturity Date	Principal Amount	Interest Rate	Price	Yield

Schedule B

<u>Pricing Wire or Equivalent Communication</u>

___ Not applicable, because there are no Undersold Maturities

_____ Attached

PRELIMINARY OFFICIAL STATEMENT DATED [________], 2021

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in herein, interest on the Tax-Exempt Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not included in the federal alternative minimum taxable income of the owners thereof. It is also the opinion of Co-Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Interest on the Taxable Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS."

$122,785,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014)
SERIES [2021C-1/2021C-2]

$421,310,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020)
SERIES [2021D-1/2021D-2]

$87,345,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020)
SERIES [2021E-1/2021E-2]

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

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

The City and County of San Francisco (the "City") is issuing its General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series [2021C-1/2021C-2] (the "2021C Bonds"), its General Obligation Bonds (Health and Recovery, 2020), Series [2021D-1/2021D-2] (the "2021D Bonds") and its General Obligation Bonds (Earthquake Safety and Emergency Response, 2020), Series [2021E-1/2021E-2] (the "2021E Bonds," and together with the 2021C Bonds and the 2021D Bonds, the "Bonds") under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "Charter"). The Bonds are being issued pursuant to certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City. The issuance of the 2021C Bonds has been authorized at an election of the registered voters of the City on November 4, 2014, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. The issuance of the 2021D Bonds has been authorized at an election of the registered voters of the City on November 3, 2020, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. The issuance of the 2021E Bonds has been authorized at an election of the registered voters of the City on March 3, 2020, at which more than two-thirds of the persons voting on Proposition B voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to finance certain public improvements as described herein, and to pay certain costs related to the issuance of the Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "SOURCES AND USES OF FUNDS."

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

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

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* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED [________], 2021

The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

BIDS FOR THE PURCHASE OF THE 2021C BONDS, 2021D BONDS AND 2021E BONDS WILL BE RECEIVED BY THE CITY AT [______] A.M. PACIFIC TIME, [______] A.M. PACIFIC TIME, AND [_____] A.M. PACIFIC TIME, RESPECTIVELY, ON [________], 2021, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [________], 2021, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF THE BONDS" herein.

MATURITY SCHEDULE
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchasers, subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [_________], 2021.

Dated: [__________], 2021.

MATURITY SCHEDULE

(Base CUSIP† Number: [________])

$122,785,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014)
SERIES [2021C-1/2021C-2]

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix

$_______ _____% Term [2021C-1/2021C-2] Bonds due June 15, 20__ Price _____ CUSIP† No. _________

$421,310,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020)
SERIES [2021D-1/2021D-2]

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield/Price	CUSIP† Suffix

$_______ _____% Term [2021D-1/2021D-2] Bonds due June 15, 20__ Price _____ CUSIP† No. _________

$87,345,000*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020)
SERIES [2021E-1/2021E-2]

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield/Price	CUSIP† Suffix

$_______ _____% Term [2021E-1/2021E-2] Bonds due June 15, 20__ Price _____ CUSIP† No. _________

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† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

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

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

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

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Shannon 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

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Curls Bartling P.C.
Oakland, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Co- Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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

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(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014)
SERIES [2021C-1/2021C-2]

$421,310,000[*]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020)
SERIES [2021D-1/2021D-2]

$87,345,000[*]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020)
SERIES [2021E-1/2021E-2]

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), Series [2021C-1/2021C-2] (the "2021C Bonds"), its General Obligation Bonds (Health and Recovery, 2020), Series [2021D-1/2021D-2] (the "2021D Bonds") and its General Obligation Bonds (Earthquake Safety and Emergency Response, 2020), Series [2021E-1/2021E-2] (the "2021E Bonds," and together with the 2021C Bonds and the 2021D Bonds, the "Bonds"). The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the

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[*] Preliminary, subject to change.

balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The City estimates the City's population in fiscal year 2019-20 was 883,083.

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

The COVID-19 pandemic is a significant development materially adversely affecting the City's finances and outlook. Many aspects of the City's 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 Appendices A and B attached hereto, which predate the COVID-19 pandemic or do not fully reflect its potential impact, should be considered in light of a possible or probable negative impact from the COVID-19 pandemic. To date, City economic and tax revenue losses associated with the COVID-19 pandemic have been stark and immediate. Impacts from the COVID-19 pandemic have been and are expected to be significant to many aspects of the local economy and City operations and finances. These impacts involve many developing and unknown outcomes. The projections and other forward-looking statements in this Official Statement are based on current expectations and are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. See "CERTAIN RISK FACTORS – Public Health Emergencies" and Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19" herein. The City may post certain reports and other information relating to the COVID-19 pandemic when available on its investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure.

The City has historically been a major convention and tourist destination. However, the COVID-19 pandemic has significantly adversely impacted, and is expected to continue to adversely impact tourism and convention activities in the City. According to the San Francisco Travel Association, a nonprofit membership organization ("SFTA"), during the calendar year 2020, approximately 10.2 million tourists visited the City, with total spending estimated at $2.3 billion, including spending from meetings and conventions. In calendar year 2019, SFTA reports that approximately 26.2 million tourists visited the City, with total spending estimated at $10.2 billion, including spending from conventions, trade shows and group meetings.

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2019-20 was $140,493. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten ("TK") schools, 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2019-20, SFO serviced approximately 40.5 million passengers (compared to 57 million passengers in fiscal year 2018-19) and handled 490,073 metric tons of cargo (compared to 564,485 in fiscal year 2018-19). The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City (investors should note that in fiscal year 2019-20, telecommuting resulting from emergency stay-at-home orders caused ridership into and within the City to decline significantly (see Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Commuting Pattern Changes")). The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's final adopted budget for fiscal years 2020-21 and 2021-22 totals $13.6 billion and $12.4 billion, respectively. The General Fund portion of each year's final adopted budget is $6.2 billion in fiscal year 2020-21 and $5.8 billion in fiscal year 2021-22, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). According to the City's Treasurer and Tax Collector, at the start of fiscal year 2020-21, total net assessed valuation of taxable property in the City was approximately $301.4 billion, which represents an increase of 7.2% over fiscal year 2019-20.

More detailed information about the City's governance, organization and finances may be found in Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

THE BONDS

Authority for Issuance; Purposes

General. The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2021C Bonds by (i) Resolution No. 193-15 adopted by the Board of Supervisors of the City on June 2, 2015, and duly approved by the Mayor of the City on June 9, 2015, and (ii) Resolution No. [_______], adopted by the Board of Supervisors of the City on [_________], and duly approved by the Mayor of the City on [________] (together, the "2021C Resolutions"). The City authorized the issuance of the 2021D Bonds by (i) Resolution No. [______], adopted by the Board of Supervisors of the City on [________], and duly approved by the Mayor of the City on [__________], and (ii) Resolution No. [______], adopted by the Board of Supervisors of the City on [__________], and duly approved by the Mayor of the City on [__________] (together, the "2021D Resolutions"). The City authorized the issuance of the

2021E Bonds by (i) Resolution No. 23-21, adopted by the Board of Supervisors of the City on January 26, 2021, and duly approved by the Mayor of the City on February 5, 2021, and (ii) Resolution No. [_______], adopted by the Board of Supervisors of the City on [_________], and duly approved by the Mayor of the City on [________] (together, the "2021E Resolutions," and with the 2021C Resolutions and the 2021D Resolutions, the "Resolutions").

The 2021C Bonds will constitute the fourth and final series of bonds to be issued from an aggregate authorized amount of $500,000,000 of City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 4, 2014 ("Proposition A (2014)"), to provide funds for the purposes authorized in Proposition A (2014), which are summarized as follows: to construct, redesign and rebuild streets and sidewalks and to make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, and improve disabled access. The City previously issued $67,005,000, $174,445,000 and $135,765,000 of the bonds authorized by Proposition A (2014) on July 14, 2015, April 3, 2018, and September 30, 2020, respectively.

The 2021D Bonds will constitute the first series of bonds to be issued from an aggregate authorized amount of $487,500,000 of City and County of San Francisco General Obligation Bonds (Health and Recovery, 2020), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 3, 2020 ("Proposition A (2020)"), to provide funds for the purposes authorized in Proposition A (2020), which are summarized as follows: to finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other public right-of-way and related assets; and to pay related costs. After the issuance of the Bonds, $________* of unissued bonds will remain authorized under Proposition A (2020).

The 2021E Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of $628,500,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2020), duly approved by at least two-thirds of the voters voting on Proposition B at an election held on March 3, 2020 ("Proposition B (2020)"), to provide funds for the purposes authorized in Proposition B (2020), which are summarized as follows: to improve 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. The City previously issued $80,715,000 of the bonds authorized by Proposition B (2020) on March 30, 2021. After the issuance of the Bonds, $________* of unissued bonds will remain authorized under Proposition B (2020).

Bond Oversight. The Administrative Code of the City (the "Administrative Code"), Proposition A (2014), Proposition A (2020) and Proposition B (2020) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller of the City (the "Controller") and used to fund the costs of the City's independent Citizens' General Obligation Bond Oversight Committee (the "Oversight Committee"). The Oversight Committee was created by the adoption by the voters in 2002 of Proposition F (adopted by the voters March 5, 2002), which established the Oversight Committee to review and oversee the delivery of general obligation bond-funded projects. A year later, the voters passed Proposition C, which authorized the Oversight Committee to review and give input on the work of the City services auditor, including the City's whistleblower program. The Oversight Committee has nine members appointed by the Mayor, Board of Supervisors, Controller and the Civil Grand Jury. The purpose of

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* Preliminary, subject to change.

the Oversight Committee is to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of $5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See Appendix E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Interest and Principal

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

The Bonds will mature on the dates shown on the inside cover page hereof. The Bonds will be subject to redemption prior to maturity, as described below. See "– Redemption" below. The principal of the Bonds will be payable in lawful money of the United States to the owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the Paying Agent.

Redemption*

Optional Redemption of the 2021C Bonds

The 2021C Bonds maturing on or after June 15, 20___ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20___, at a redemption price equal to the principal amount of 2021C Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption of the 2021D Bonds

The 2021D Bonds maturing on or after June 15, 20___ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20___, at a redemption price equal to the principal amount of 2021D Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

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* Preliminary, subject to change.

Optional Redemption of the 2021E Bonds

The 2021E Bonds maturing on or after June 15, 20___ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20___, at a redemption price equal to the principal amount of 2021E Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption of the 2021C Bonds

The 2021C Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

† Maturity

The principal of and interest on the 2021C Bonds subject to mandatory redemption will be paid from the 2021C Bond Subaccount established under the 2021C Resolutions. In lieu of any such mandatory redemption for 2021C Bonds, at any time prior to the selection of 2021C Bonds for mandatory redemption, the City may apply amounts on deposit in the 2021C Bond Subaccount to make such payment to the purchase, at public or private sale, of 2021C Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

Mandatory Redemption of the 2021D Bonds

The 2021D Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

† Maturity

The principal of and interest on the 2021D Bonds subject to mandatory redemption will be paid from the 2021D Bond Subaccount established under the 2021D Resolutions. In lieu of any such mandatory redemption for 2021D Bonds, at any time prior to the selection of 2021D Bonds for mandatory redemption, the City may apply amounts on deposit in the 2021D Bond Subaccount to make such payment to the purchase, at public or private sale, of 2021D Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

Mandatory Redemption of the 2021E Bonds

The 2021E Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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

† Maturity

The principal of and interest on the 2021E Bonds subject to mandatory redemption will be paid from the 2021E Bond Subaccount established under the 2021E Resolutions. In lieu of any such mandatory redemption for 2021E Bonds, at any time prior to the selection of 2021E Bonds for mandatory redemption, the City may apply amounts on deposit in the 2021E Bond Subaccount to make such payment to the purchase, at public or private sale, of 2021E Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

The principal amount of each mandatory sinking fund payment of any maturity will be reduced as specified by the City, in $5,000 increments, by the amount of any Bond of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

Selection of Bonds for Redemption

Whenever less than all the outstanding Bonds of a series are called for redemption on any date, the Director of Public Finance will select the maturities of the series of Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding Bonds of a series maturing on any one date are called for redemption, the particular Bonds of a series or portions thereof to be redeemed will be selected in any manner which the Director of Public Finance deems fair. The Bonds of a series may be redeemed in denominations of $5,000 or any integral multiple thereof.

Notice of Redemption

The date on which Bonds of a series that are called for redemption are to be presented for redemption is called the "Redemption Date." The City Treasurer will mail, or cause to be mailed, notice of any redemption of the Bonds to be redeemed, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

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

"CONTINUING DISCLOSURE" and Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bonds or portions of such Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of optional redemption may be conditioned on the receipt of funds or any other event specified in the notice. See "– Conditional Notice; Right to Rescind Notice of Optional Redemption" below.

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

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds of a series called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the Redemption Account established under the relevant Resolutions, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the related Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the related Redemption Account. All Bonds redeemed will be canceled immediately by the City Treasurer and will not be reissued.

Moneys held in a Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

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

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

Project Accounts

The 2021C Resolutions establish a project account for the bonds issued under Proposition A (2014) (the "Proposition A (2014) Project Account"), including the 2021C Bonds, and within the Proposition A (2014) Project Account, a subaccount for the 2021C Bonds (the "2021C Project Subaccount"). The 2021D Resolutions establish a project account for bonds issued under Proposition A (2020) (the "Proposition A (2020) Project Account"), including the 2021D Bonds, and within the Proposition A (2020) Project Account, a subaccount for the 2021D Bonds (the "2021D Project Subaccount"). The 2021E Resolutions establish a project account for the bonds issued under Proposition B (2020) (the "Proposition B (2020) Project Account," and together with the Proposition A (2014) Project Account and the Proposition A (2020) Project Account, the "Project Accounts"), including the 2021E Bonds, and within the Proposition B (2020) Project Account, a subaccount for the 2021E Bonds (the "2021E Project Subaccount, and together with the 2021C Project Subaccount and the 2021D Project Subaccount, the "Project Subaccounts").

Each Project Subaccount will be maintained by the City Treasurer as a separate account, segregated and distinct from all other accounts. The City Treasurer may establish such accounts and subaccounts within the Project Accounts as may be necessary or convenient in connection with the administration of projects or the bonds issued under the Resolutions.

All of the proceeds of the sale of the 2021C Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the 2021C Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2014). All of the proceeds of the sale of the 2021D Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the 2021D Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2020). All of the proceeds of the sale of the 2021E Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the 2021E Project Subaccount and applied exclusively to the objects and purposes specified in Proposition B (2020).

When such objects and purposes have been accomplished, any moneys remaining in the 2021C Project Subaccount, the 2021D Project Subaccount or the 2021E Project Subaccount will be transferred to the bond account established under the 2021C Resolutions, the bond account established under the 2021D Resolutions, or the bond account established under the 2021E Resolutions, as appropriate, and such funds will be applied to the scheduled payment of the principal of and interest on the related series of Bonds (see "SECURITY FOR THE BONDS – Flow of Funds Under the Resolutions"). Amounts in each Project Subaccount may be applied to the payment of costs of issuance of Bonds issued under the related Resolutions, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of paying agents, registrars, financial consultants, bond counsel and disclosure counsel.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to the Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolutions.

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

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

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

"Rating Agencies" means Moody's Investors Service, Fitch Ratings, S&P Global Ratings and Kroll Bond Rating Agency, LLC, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date of adoption of the Resolutions.

SOURCES AND USES OF FUNDS

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

Sources	**2021C**	**2021D**	**2021E**	**Total**
Principal Amount of Bonds				
Original Issue Premium				
Total Sources of Funds				
Uses				
Deposit to Project Subaccount[(1)]				
Deposit to Bond Subaccount				
Oversight Committee[(2)]				
Underwriter's Discount				
Costs of Issuance[(3)]				
Total Uses of Funds				

(1) Of the total 2021C Project Subaccount deposit, $_________ will be used to pay project costs and $__________ (representing 0.2% of the 2021C Project Subaccount for project costs) will be used to pay the City's Office of the Controller's City Services Auditor Fee. Of the total 2021D Project Subaccount deposit, $_________ will be used to pay project costs and $__________ (representing 0.2% of the 2021D Project Subaccount for project costs) will be used to pay the City's Office of the Controller's City Services Auditor Fee. Of the total 2021E Project Subaccount deposit, $_________ will be used to pay project costs and $__________ (representing 0.2% of the 2021E Project Subaccount for project costs) will be used to pay the City's Office of the Controller's City Services Auditor Fee.

(2) See "THE BONDS – Authority for Issuance; Purposes – Bond Oversight."

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

DEBT SERVICE SCHEDULES

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

City and County of San Francisco
General Obligation Bonds
Series 2021C, Series 2021D and Series 2021E(1)

	2021C Bonds			2021D Bonds			2021E Bonds			
Payment Date	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Fiscal Year Total
Total										

(1) A portion of the debt service will be paid from original issue premium deposited in the Bond Subaccounts relating to the Bonds. See "SOURCES AND USES OF FUNDS."

The consolidated scheduled debt service payable with respect to the Bonds and the City's other general obligation bonds is shown in the table below (assuming no early redemptions).

Consolidated Scheduled Debt Service on the Bonds and the City's Other General Obligation Bonds[1]

Fiscal Year	Total Debt Service on the Bonds	Other General Obligation Bonds Debt Service[2]	Total Debt Service

[1] Amounts are rounded off to the nearest dollar.
[2] As of [__________], 2021. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds."

SECURITY FOR THE BONDS

General

Pursuant to the Resolutions, for the purpose of paying the principal of and interest on the Bonds, the Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, or until there is a sum set apart for that purpose in the Treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay the annual principal of and interest on the Bonds as the same become due. In fixing such tax levy for each fiscal year, the Board of Supervisors will take into account amounts then on deposit in the Tax Revenues Subaccounts relating to the Bonds (as defined below under "Flow of Funds Under the Resolutions"), if such amounts will be available to pay debt service on the Bonds. Said tax will be in addition to all other taxes levied for City purposes, will be collected at the time and in the same manner as other taxes of the City are collected, and will be used only for the payment of the Bonds and the interest thereon. Under the framework of the constitutional provisions and statutes applicable to California general obligation bonds, including the Bonds, taxes levied to pay debt service on the Bonds may not be used for any other purpose and are not available to support general City operations. See "Property Taxation" below.

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

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

Pursuant to the Resolutions, the City will pledge the Bond Accounts (as defined under "Flow of Funds Under the Resolutions") and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the Resolutions (including the Bonds) when and as the same become due. See "Pledge" below.

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

Flow of Funds Under the Resolutions

Bond Accounts. The 2021C Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition A (2014) (the "Proposition A (2014) Bond Account"), including the 2021C Bonds, and within the Proposition A (2014) Bond Account, a subaccount for the 2021C Bonds (the "2021C Bond Subaccount"), to be held separate and apart from all other accounts of the City. The 2021D Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition A (2020) (the "Proposition A (2020) Bond Account"), including the 2021D Bonds, and within the Proposition A (2020) Bond Account, a subaccount for the 2021D Bonds (the "2021D Bond Subaccount"), to be held separate and apart from all other accounts of the City. The 2021E

Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition B (2020) (the "Proposition B (2020) Bond Account," and together with the Proposition A (2014) Bond Account and the Proposition A (2020) Bond Account, the "Bond Accounts"), including the 2021E Bonds, and within the Proposition B (2020) Bond Account, a subaccount for the 2021E Bonds (the "2021E Bond Subaccount," and together with the 2021C Bond Subaccount and the 2021D Bond Subaccount, the "Bond Subaccounts"), to be held separate and apart from all other accounts of the City.

The Bond Accounts and all subaccounts therein will be administered by the City Treasurer with all disbursements of funds therefrom subject to the authorization of the Controller. Pursuant to the applicable sale resolution, the Controller or the City Treasurer, as applicable, may establish such additional accounts and subaccounts within the related Bond Account or with any agent, including but not limited to any paying agent or fiscal agent, as may be necessary or convenient in connection with the administration of any series of bonds issued under the appropriate Resolutions, to provide for the payment of principal and interest on such series of bonds.

The City Treasurer will deposit in the related Bond Account from the proceeds of sale of the Bonds any moneys received on account of original issue premium and interest accrued on the Bonds to the date of payment of the purchase price thereof, and such other moneys, if any, as may be specified in the applicable sale resolution. So long as any of the Bonds are outstanding, moneys in the related Bond Account will be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on such bonds as such principal and interest become due and payable, or for purchase of such bonds if permitted by the applicable sale resolution; provided, however, that when all of the principal of and interest on such bonds have been paid, any moneys then remaining in the related Bond Account will be transferred to the City for any legally permitted purpose. The Board of Supervisors will take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor.

Pursuant to the Resolutions, all taxes collected by the City for the payment of debt service on a related series of Bonds will be deposited in a special subaccount within the Bond Account relating to such series of Bonds, to be designated as the "Tax Revenues Subaccount."

Bond Subaccounts. The Resolutions provide that (i) on or prior to the date on which any payment of principal of or interest on a series of Bonds is due, the City Treasurer will allocate to and deposit in the appropriate Bond Subaccount, from amounts held in the related Bond Account, an aggregate amount which, when added to any available moneys contained in such Bond Subaccount, is sufficient to pay principal of and interest on the related Bonds on such date, and (ii) on or prior to the date on which any series of Bonds are to be redeemed at the option of the City, the City Treasurer may allocate to and deposit in the Redemption Account established under the related Resolutions, from amounts held in the appropriate Bond Account, an amount which, when added to any available moneys contained in the related Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such series of Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Bonds as is necessary or convenient to permit the optional redemption of the Bonds.

Amounts in the Bond Subaccounts may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Bond Subaccounts with other City moneys or (ii) deposit amounts credited to the Bond Subaccounts into a separate fund or funds for investment purposes only; provided, that all of the moneys held in each Bond Subaccount will be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY." All interest earned on amounts on deposit in each Bond Subaccount will be retained in such Bond Subaccount.

<u>*Interest*</u>. On or before June 15 and December 15 in each year that any of the bonds issued under the Resolutions are outstanding (or, for any series of bonds bearing interest at variable rates, on such other dates as may be provided by the applicable sale resolution), the City Treasurer will set aside in the related Bond Account and the appropriate subaccounts therein relating to each series of the bonds an amount which, when added to the amount contained in the related Bond Account and subaccounts therein on that date, if any, will be equal to the aggregate amount of the interest becoming due and payable on each series of such bonds outstanding on such interest payment date.

<u>*Principal*</u>. On or before June 15 in each year that any of the bonds issued under the Resolutions are outstanding, the City Treasurer will set aside in the related Bond Account and the appropriate subaccounts therein relating to each series of such bonds an amount which will be equal to the principal on each series of such bonds outstanding that will become due and payable on said June 15.

All moneys in the Bond Accounts will be used and withdrawn by the City Treasurer solely for the purpose of paying the principal of and interest on each series of bonds issued under the Resolutions as the same become due and payable. On June 15 and December 15 in each year that any such bond is outstanding, the City Treasurer will allocate, transfer and apply to the various subaccounts in the Bond Account created pursuant to the applicable sale resolution, on such date on which payment of principal or interest on any series of bonds is due, from moneys on deposit in the Bond Account, an amount equal to the amount of principal of, premium, if any, or interest due on said date with respect to each series of the bonds then outstanding. Unless other provision is made pursuant to the Resolutions for the payment of any bond, all amounts held in the various subaccounts of the Bond Account created pursuant to a sale resolution will be used and applied by the City Treasurer to pay principal of, premium, if any, and interest due on the series of the bonds to which such subaccount relates, as and when due.

Pledge

Pursuant to the Resolutions, the City will pledge the Bond Account and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the Master Resolution (including the Bonds) when and as the same become due, including the principal of any term bonds required to be paid upon the mandatory sinking fund redemption thereof. In addition, the payment of such principal and interest will be secured by the statutory lien of California Government Code Section 53515, to the extent applicable to the amounts of *ad valorem* taxes on deposit in the Bond Account. Each and every series of bonds issued under the Master Resolution, including the Bonds, will be equally and ratably secured by this pledge, the foregoing statutory lien, and the taxes collected as described above.

Statutory Lien on Taxes (Senate Bill 222)

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

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2020-21, the total net assessed valuation of taxable property (net of homeowner's exemption) within the City was approximately $301.4 billion, which represents an increase in 7.2% over fiscal year 2019-20. For additional information on the property taxation system, assessed values and appeals to assessed values, see Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation."

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

Of the $301.4 billion total net assessed valuation of taxable property within the City at the start of fiscal year 2020-21, $283.9 billion (94.2%) represents secured valuations and $17.5 billion (5.8%) represents unsecured valuations. Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

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

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

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

The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes. A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted. As discussed in Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Tax Levy and Collection," property owners unable to pay certain property taxes due to the COVID-19 pandemic may request a penalty waiver or may not have to pay late payment penalties under certain circumstances.

Teeter Plan. In October 1993, the Board of Supervisors of the City passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a "Tax Loss Reserve" for the Teeter Plan. Information on this Tax Loss Reserve is as shown on Table A-9 in Appendix A attached hereto.

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

CERTAIN RISK FACTORS

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

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

Factors Affecting Property Tax Security for the Bonds

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

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

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the City's general obligation bonds. The net total assessed valuation of taxable property in the City in fiscal year 2020-21 is approximately $301.4 billion, compared to $281.1 billion in fiscal year 2019-20. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

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

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

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

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2020-21 is approximately $9.04 billion, based on a net total assessed valuation of approximately $301.4 billion. As of March 1, 2021, the City had outstanding approximately $2.5 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.83% of the net assessed valuation for fiscal year 2020-21. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of March 1, 2021, the City had voter approval to issue up to $2.3 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds –Authorized but Unissued City GO Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City's most recent adopted 10-year capital plan identifies $39.1 billion of capital needs for all City departments, including $5.1 billion in projects for General Fund-supported departments. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Capital Plan."

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

In March 2020, voters of the City approved Proposition E, amending existing citywide limits on new office development. Proposition E links the amount of new office space that can be approved annually in San Francisco to the City's performance on building new affordable housing. Proposition E allows projects that provide affordable housing and space for community arts or local retail, particularly in the Central South of Market (SoMa) neighborhood, to proceed sooner by borrowing from future allocations. Proposition E also changes the City's criteria for approving new office developments.

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

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

City Long-Term Financial Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, "Seismic Risks" and "Climate Change, Risk of Sea Level Rise and Flooding Damage" below). While the City had strong economic and financial performance during the recovery from the great recession and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below. **In particular, the City faces new significant adverse financial and budgetary challenges due to the COVID-19 pandemic.** See "Public Health Emergencies" below and Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19" attached hereto.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth $39.1 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

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

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget."

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2020."

Seismic Risks

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

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

Earthquake Safety Implementation Plan (ESIP). ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety (CAPSS), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. This deadline was extended from the original deadline of September 2020 in light of the COVID-19 pandemic. As of March 3, 2021, approximately 86% of the buildings have been brought into compliance. Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.

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

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

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. All of these tasks are currently underway. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this Statewide program. The City's Disaster Recovery Taskforce had its kickoff meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – "Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings" was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

The City obtains and maintains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Legal Matters and Risk Management."

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

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

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has incorporated the projections from the 2018 report into its Guidance for Incorporating Sea Level Rise Guidance into ongoing Capital Planning. The Guidance requires that City projects over $5 million consider mitigation and/or adaptation measures.

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

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's Seawall from sea level rise, including an initial investment of about $8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over $500 million and long-term upgrades to cost more than $5 billion. In November 2018, voters of the City approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

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

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

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

Cybersecurity

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

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

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

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

Public Health Emergencies

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

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

Limitation on Remedies; Bankruptcy

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

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

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

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

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

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

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

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– Constitutional and Statutory Limitations on Taxes and Expenditures – Article XIIIB of the California Constitution."

Other Events

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

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

In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest 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.

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

TAX MATTERS

Tax-Exempt Bonds

Tax Exemption. The delivery of the Tax-Exempt Bonds is subject to the opinion of Co-Bond Counsel to the effect that interest on the Tax-Exempt Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Tax-Exempt Bonds is also subject to the delivery of the opinion of Co-Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Tax-Exempt Bonds is exempt from personal income taxes of the State of California. The forms of Co-Bond Counsel's opinions are set forth in Appendix F. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Tax-Exempt Bonds pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Bonds and will assume continuing compliance by the City with the provisions of the Resolutions subsequent to the issuance of the Tax-Exempt Bonds. The Resolutions contain covenants by the City with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Bonds.

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

Except as described above, Co-Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Tax-Exempt Bonds. The initial public offering price of certain Tax-Exempt Bonds (the "Discount Tax-Exempt Bonds") may be less than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Tax-Exempt Bond (assuming that a substantial amount of the Discount Tax-Exempt Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Tax-Exempt Bond. A portion of such original issue discount allocable to the holding period of such Discount Tax-Exempt Bond by the initial purchaser will, upon the disposition of such Discount Tax-Exempt Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Tax-Exempt Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Tax-Exempt Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Tax-Exempt Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Tax-Exempt Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Tax-Exempt Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Tax-Exempt Bond was held) is includable in gross income.

Owners of Discount Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Tax-Exempt Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Tax-Exempt Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Tax-Exempt Bonds (the "Premium Tax-Exempt Bonds") may be greater than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Tax-Exempt Bond (assuming that a substantial amount of the Premium Tax-Exempt Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Tax-Exempt Bonds. The basis for federal income tax purposes of a Premium Tax-Exempt Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Tax-Exempt Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Tax-Exempt Bonds.

Taxable Bonds

State Income Tax. In the opinion of Co-Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Except as set forth in the preceding sentence, Co-Bond Counsel will provide no opinion in connection with the issuance or offering of the Taxable Bonds with regard to any federal, state or local tax consequence of the ownership or disposition of or the receipt of interest on any Taxable Bond. The forms of Co-Bond Counsel's opinions are set forth in Appendix F. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

Federal Income Tax Considerations. The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Taxable Bonds. The discussion is based upon the Internal Revenue Code of 1986 (the "Code"), United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect.

Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Taxable Bonds under local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds and who will hold their Taxable Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE Taxable BondS.

U.S. Holders

Interest on the Taxable Bonds. Co-Bond Counsel has rendered no opinion regarding the exclusion pursuant to section 103(a) of the Code of interest on the Taxable Bonds from gross income for federal income tax purposes. The City has taken no action to cause, and does not intend, interest on the Taxable Bonds to be excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. The City intends to treat the Taxable Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE CITY EXPECTS THAT THE INTEREST PAID ON A Taxable Bond GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Disposition of Taxable Bonds, Inclusion of Original Issue Discount and Treatment of Market Discount. To the extent that the issue price of any maturity of the Taxable Bonds is less than the amount to be paid at maturity of such Taxable Bonds by more than a *de minimis* amount (excluding amounts stated to be interest and payable at least annually over the term of such Taxable Bonds), the difference may constitute original issue discount ("OID"). U.S. Holders of Taxable Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Amortizable Bond Premium. A holder of a Taxable Bond that purchased that bond for an amount that was greater than its stated redemption price at maturity will be considered to have purchased the Taxable Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder of a Taxable Bond purchased with amortizable bond premium may elect to amortize such premium using a constant yield method over the remaining term of the Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Taxable Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Taxable Bond. However, if the Taxable Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the Taxable Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS. That a Taxable Bond was purchased by the holder with amortizable bond premium may affect the computation of includable original issue discount for that holder.

Sale or other Taxable Disposition of a Taxable Bond; Market Discount. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Under current law, a U.S. Holder of a Taxable Bond who did not purchase that Taxable Bond in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition (or earlier partial principal payment) of such Taxable Bond, to recognize as ordinary income a portion of the gain (or partial principal payment), if any, to the extent of the accrued "market discount." In general, market discount is the amount by which the price paid for such Taxable Bond by such a subsequent purchaser is less than the stated redemption price at maturity of that Taxable Bond (or, in the case of a Taxable Bond bearing original issue discount, is less than the "revised issue price" of that Taxable Bond (as defined below) upon such purchase), except that market discount is considered to be zero if it is less than one quarter of one percent of the principal amount times the number of complete remaining years to maturity. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of such Taxable Bonds could have a material effect on the market value of such Taxable Bonds.

Medicare Tax. Certain non-corporate U.S. Holders of Taxable Bonds are subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals is between $200,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Taxable Bonds and its net gains from the disposition of the Taxable Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Taxable Bonds.

Information Reporting and Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

The foregoing notwithstanding, but subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," and assuming the interest income of the Non-U.S. Holder on the Taxable Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will not be subject to 30% withholding, or any lower rate specified in an income tax treaty, if such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that the Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest is treated as not effectively connected with a United States trade or business of the Non-U.S. Holder; (iii) such interest payments are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) the Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) the Non-U.S. Holder is not a bank receiving interest on the Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the Non-U.S. Holder's banking trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no withholding under Section 1441 and 1442 of the Code and no backup withholding under Section 3406 of the Code is required with respect to an owner or intermediary who has provided a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders," any capital gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a Non-U.S. Holder will not be subject to any backup withholding tax requirements if the Non-U.S. Holder of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the Non-U.S. Holder in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Non-U.S. Holder provides the certification, the certification must give the name and address of such Non-U.S. Holder, state that such Non-U.S. Holder is not a United States person, or, in the case of an individual, that such Non-U.S. Holder is neither a citizen nor a resident of the United States, and the Non-U.S. Holder must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA") – U.S. Holders and Non-U.S. Holders. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to "foreign passthru payments" but no earlier than two years after the date of publication of final regulations defining the term "foreign passthru payment." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Effect of Defeasance. Pursuant to the Authorizing Resolution, the Taxable Bonds are subject to legal defeasance without the consent of the Owners of the Taxable Bonds. Defeasance of any Taxable Bond may be treated as a taxable constructive exchange of that Taxable Bond, in which event the holder generally would recognize gain or loss for federal income tax purposes equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as described above) and the holder's adjusted tax basis in such Taxable Bond (described above).

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of Norton Rose Fulbright US LLP, Los Angeles, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel (the "Bond Opinions"), dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds. The proposed form of the Bond Opinions are set forth in Appendix F hereto.

The Bond Opinions will speak only as of their date, and subsequent distributions of the Bond Opinions by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified. The opinions contained in the Bond Opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the Bond Opinions represent legal judgment of Co-Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

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

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

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

PROFESSIONALS INVOLVED IN THE OFFERING

Fieldman, Rolapp & Associates, Inc., Irvine, California, served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor has participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed and assisted the City in other matters relating to the planning, structuring, and sale of the Bonds. The Municipal Advisor has not independently verified any of the data contained herein and has not conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume, no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Bond Counsel and Co-Disclosure Counsel will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Bonds and other documents and certificates in connection therewith. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2020-21, which is due not later than March 27, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") maintained by the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City's 2016-17 audited financial statements ("2016-17 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.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City's investor information website located at https://sfcontroller.org/continuing-secondary-market-disclosure.

RATINGS

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

SALE OF THE BONDS

The Bonds are scheduled to be sold at competitive bid on [________], 2021, as provided in the Official Notice of Sale, dated [________], 2021 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The purchaser will represent to the City that the Bonds have been reoffered to the public at the prices or yields to be stated on the inside cover page hereof, and the City will take no responsibility for the accuracy of those prices or yields. The purchaser may offer and sell Bonds to certain dealers and others at yields that differ from those that will be stated on the inside cover. The offering prices or yields may be changed from time to time by the purchaser.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchaser or owners and beneficial owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________________

Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

APPENDIX B

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

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$________
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014)
SERIES [2021C-1/2021C-2]

$________
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020)
SERIES [2021D-1/2021D-2]

$________
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020)
SERIES [2021E-1/2021E-2]

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The City authorized the issuance of the 2021C Bonds by (i) Resolution No. 193-15 adopted by the Board of Supervisors of the City on June 2, 2015, and duly approved by the Mayor of the City on June 9, 2015, and (ii) Resolution No. [_______], adopted by the Board of Supervisors of the City on [_________], and duly approved by the Mayor of the City on [________] (together, the "2021C Resolutions"). The City authorized the issuance of the 2021D Bonds by (i) Resolution No. [______], adopted by the Board of Supervisors of the City on [________], and duly approved by the Mayor of the City on [__________], and (ii) Resolution No. [______], adopted by the Board of Supervisors of the City on [__________], and duly approved by the Mayor of the City on [__________] (together, the "2021D Resolutions"). The City authorized the issuance of the 2021E Bonds by (i) Resolution No. 23-21, adopted by the Board of Supervisors of the City on January 26, 2021, and duly approved by the Mayor of the City on February 5, 2021, and (ii) Resolution No. [_______], adopted by the Board of Supervisors of the City on [_________], and duly approved by the Mayor of the City on [________] (together, the "2021E Resolutions," and with the 2021C Resolutions and the 2021D Resolutions, the "Resolutions"). The City covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2020-21 Fiscal Year (which is due not later than March 27, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

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

(e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and

(f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bondholders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City, 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) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

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

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

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

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

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

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

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

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

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

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

Date: _________, 2021.

CITY AND COUNTY OF SAN FRANCISCO

____

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ________________________________
Deputy City Attorney

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:	GENERAL OBLIGATION BONDS (TRANSPORTATION AND ROAD IMPROVEMENT BONDS, 2014), SERIES [2021C-1/2021C-2] GENERAL OBLIGATION BONDS (HEALTH AND RECOVERY, 2020), SERIES [2021D-1/2021D-2] GENERAL OBLIGATION BONDS (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE, 2020), SERIES [2021E-1/2021E-2]
Date of Issuance:	__________, 2021

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated _________, 2021. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By: _______[to be signed only if filed]_______
Title: ____________________________________

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

APPENDIX F

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

APPENDIX A

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

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.

RECENT DEVELOPMENTS

Additional Federal Assistance

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 approximately $636 million, comprising a $465 million city allocation and a $171 million county allocation. 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 it 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. The March Joint Report (discussed below) contains an update to the City's Five-Year Financial Plan which takes projected ARPA funding into account.

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 projection 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 is $22.9 million, or 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. 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).

- 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 Year 2019-20 and Fiscal Year 2020-21 throughout the projection period of the Five-Year Financial Plan. The overall projection 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. The increase in projected property taxes is mostly 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 then 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 assumes 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 as 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 actuarily assumed rate of return from 7.4% to 7.3% in recent months, and will revisit the question at its April 2021 meeting, it has not yet taken action; therefore, the 7.4%

rate assumed in the January report is unchanged. Adoption of the 7.3% rate would increase 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.

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 spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the City and County of San Francisco ("City"). The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

As of April 1, 2021, there were over 35,000 confirmed cases of COVID-19 in the City, and health officials expect the number of confirmed cases to continue grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread closings of businesses, universities and schools (including the San Francisco Unified School District) throughout the United States. On June 8, 2020 the National Bureau of Economic Research announced that the U.S. officially entered into a recession in February 2020. In addition, capital markets in the United States and globally have been volatile.

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

From time to time, all counties in the Bay Area (including the City) have implemented and revised shelter-in-place ("Shelter-in-Place") emergency orders, which direct individuals to stay home, except for limited travel for the conduct of essential services. Most retail establishments (including restaurants, bars and nightclubs, entertainment venues and gyms) were closed in response to the Shelter-in-Place order. The Governor of the State has announced similar Shelter-in-Place emergency orders effective for the entire State. The State and various counties, including the City have allowed limited reopening of retail establishments, at times under limitations such as only providing outdoor or curbside service, based on local performance against public health indicators. On August 28, 2020, the State adopted a color coded, four-tiered framework to guide reopening statewide. Counties can be more restrictive than this State framework. As discussed below, San Francisco is currently designated to the orange tier.

Most recently, in addition to the four-tier classification system, on December 3, 2020 the State announced a Regional Stay at Home Order, under which a county must enforce even stricter rules if hospital intensive care unit capacity drops below 15%. The City was, for a time, subject to those stricter rules. As of December 16, 2020 the Bay Area's ICU capacity had fallen below 15% and triggered the State of California's Regional Stay Home order. On December 17, 2020 the City announced a public health order placing a mandatory quarantine of 10 days on anyone traveling, moving, or returning to San Francisco from outside the Bay Area. Limited exceptions applied to people traveling for certain critical activities. The order also strongly discouraged any non-essential travel within the 10-county Bay Area region. On January 25, 2021, the City announced plans to reopen certain businesses and activities in response to the State lifting the Bay Area Regional Stay at Home Order. On February 23, 2021, as a result of the City's progress in managing COVID-19, San Francisco lifted the 10-day quarantine order but still urged against non-essential travel outside of the Bay Area. On March 3, 2021, the City announced the reopening of most business and activities permitted by the State, following the City's assignment to the State's Red Tier based on COVID-19 cases and hospitalization rates. On March 23, 2021, the City announced that it will resume most businesses and activities that are allowed by the State in the orange tier for counties with moderate transmission levels, following the City's assignment to that tier. Future updates to the Order are uncertain at this time, and there can be no assurances that more restrictive requirements previously in place will not be re-imposed.

Beginning December 15, 2020, the City began administering the first vaccines to frontline healthcare workers. On February 24, 2021, the City moved to Phase 1B, Tier 1 of the State's population prioritization plan and began vaccinating people who work in education and childcare, emergency services, and the food and agriculture sectors, while continuing to vaccinate healthcare workers and people age 65 and older. As of April 1, 2021, more than 20% of San Francisco's population has received the first dose of vaccine, as have 82% of the City's residents over 65 years of age. Between January 22, 2021 and February 16, 2021, the City launched three high-volume vaccination sites at Moscone Center, City College of San Francisco, and SF Market in the Bayview to serve anyone who meets the eligibility requirements regardless of health coverage, by appointment only. The high-volume sites are part of San Francisco's network of vaccination sites to facilitate the quick and efficient delivery of COVID-19 vaccines.

When the Mayor declared a state of emergency in February 2020, the City's Emergency Operations Center was activated. The City's response quickly grew into a multi-agency initiative to address issues arising from the health crisis. In addition to Department of Public Health-led efforts to respond to the immediate health emergency, the City has established multiple programs to assist residents and businesses with the ancillary impacts of COVID-19. The City announced emergency relief measures for local businesses that defer collection of certain tax revenues and increase City expenditures, with potential offsets from federal and State emergency funds. The City estimates that emergency response expenditures relating to the COVID-19 Emergency were approximately $521.8 million across all funds and departments during fiscal year 2019-20 alone. Federal sources, including Federal Emergency Management Agency ("FEMA") reimbursements and Coronavirus Aid, Relief, and Economic Security ("CARES") Act allocations, substantially offset the majority of emergency costs during fiscal year 2019-20. The final adopted budget for fiscal years 2020-21 and 2021-22 reflects the assumption that $82.1 million of CARES Act allocations to the General Fund will be available to support response expenditures in fiscal year 2020-21.

The economic impact of COVID-19 has drastically reduced the City's tax revenues and may affect the City's ability to sustain regular operations at current levels. As shown in Table A-4, after years of increases, fiscal year 2019-20 General Fund revenue declined by $417.3 million, or 7.1%, from fiscal year 2018-19. These decreases occurred in nearly every category of revenue except intergovernmental revenue; most significantly, the City experienced the greatest decline in its "other local taxes," which includes hotel and sales taxes. Another significant decline was in property tax revenue, which 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 Final Adopted Budget for Fiscal Years 2020-21 and 2021-22 approved by the Board of Supervisors on October 1, 2020 (the "Final Adopted Budget") assumed $755.6 million of COVID-19 response costs in fiscal year 2020-21, and none in fiscal year 2021-22. Actual costs will ultimately depend on the duration and severity of the pandemic. New costs will be partially offset by the re-assignment of City employees and may be offset by FEMA reimbursement for eligible costs. See "CITY BUDGET - Final Adopted Budget for Fiscal Years 2020-21 and 2021-22" herein.

On February 12, 2021, the Controller's Office released the Six-Month Report. The report includes updated projections for fiscal year 2020-21 from the Final Adopted Budget, as well as COVID-19 emergency response revenues and expenditures. See "CITY BUDGET – Other Budget Updates: Fiscal Year 2020-21 Six-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 2021. Incumbents Aaron Peskin (District 3), Dean Preston (District 5), Hillary Ronen (District 9) and Ahsha Safaí (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.

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TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

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

Other Elected and Appointed City Officers

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2019. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

The Assessor-Recorder administers the property tax assessment system of the City. 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, and Mr. Torres will have to run in the next election, which is 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 years 2020-21 and 2021-22 Final Adopted Budget was approved by the Board of Supervisors on September 20, 2020 and signed by Mayor Breed on October 1, 2020. Typically, the Final Adopted Budget is approved in August; however, due to the COVID-19 emergency, the fiscal years 2020-21 and 2021-22 budget process was delayed by two months under the Mayor's emergency powers.

The Final Adopted Budget for fiscal year 2020-21 appropriated annual revenues, fund balance, transfers and reserves of $13.6 billion, of which the City's General Fund accounts for $6.2 billion. The Final Adopted Budget for fiscal year 2021-22 appropriated revenues, fund balance, transfers and reserves of $12.4 billion, of which $5.8 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2017-18 through 2019-20, and the Final Adopted Budget for fiscal years 2020-21 and 2021-22. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2020-21 proposed budget, see "CITY BUDGET - Final Adopted Budget for Fiscal Years 20-21 and 2021-22" herein.

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

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TABLE A-2

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

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

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

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

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

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

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

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

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

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

Budget Process

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

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

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

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

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

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors. In the most recent Final Adopted Budget for fiscal years 2020-21 and 2021-22, four departments adopted fixed budgets: MTA, PUC, AIR, and PRT. All other departments prepare balanced, rolling two-year budgets for Board approval.

2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan update, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 15, 2021, for fiscal year 2021-22 through fiscal year 2025-26. The 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 May 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 FY 2020-21, FY2021-22, and FY2022-23, the City is eligible to withdraw from these reserves and is not required to make any deposits. The Final Adopted Budget withdraws the maximum permissible amounts from the City's Rainy Day and Budget Stabilization Reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as the "Controller's Revenue Letter" section.

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

Role of Controller in Budgetary Analysis and Projections

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

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

General Fund Results: Audited Financial Statements

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

Rainy Day Reserve

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

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

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

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

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

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

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

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

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

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the 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 is eligible to withdraw from its economic stabilization reserves. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal year 2019-20, the City made a budgeted deposit of $28.9 million to the General Reserve. The Mayor ultimately withdrew $75.5 million to address fiscal year 2019-20 shortfalls as reported in the May 2020 Nine Month Report, and the Board appropriated $2.2 million to support public safety expenditures during the year. As a result, the fiscal year 2019-20 ending balance of the General Reserve was $78.5 million. As of the publication of the Five Year Financial Plan, in fiscal years 2020-21 and 2021-22, there are no anticipated deposits or withdrawals to the General Reserve.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown 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 and which are available to City departments through a Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $25.4 million as of fiscal year 2019-20), and the Litigation and Public Health Management Reserve (balance of $136.5 million in Fiscal Year 2019-20).

Operating Cash Reserve

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

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's published 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 Balances[1]
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

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.

THE INFORMATION BELOW REFLECTS THE FIVE-YEAR PLAN AS INITIALLY ISSUED IN JANUARY 2021. SEE "RECENT DEVELOPMENTS" FOR A DISCUSSION OF THE MARCH JOINT REPORT, WHICH PROVIDED AN UPDATE TO THE FIVE-YEAR PLAN.

The Five-Year Plan, which assumes a slower pace of re-opening of economic activity than the Final Adopted Budget, projects declines in fiscal year 2021-22 followed by growth in General Fund sources over the forecast period of 15.5%, composed of growth in local tax sources as the local economy recovers from the COVID-19 pandemic that largely recovers to pre-pandemic levels by the end of the plan period. Revenue growth is fully offset by projected expenditure increases of 23.7% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The Plan projects growth in General Fund sources of $963.4 million over the Plan period, and expenditure growth of $1.47 billion. The composition of the projected shortfall is shown in Table A-5 below.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2021-22 through 2025-26
Projections as of January 15, 2021
($ Millions)

	2021-22	2022-23	2023-24	2024-25	2025-26	% of Uses for 2025-26
Sources - Increase / (Decrease):	($117.6)	$268.5	$487.2	$732.1	$963.4	
Uses:						
Baselines & Reserves	($54.4)	($157.7)	($242.1)	($293.2)	($354.6)	24.2%
Salaries & Benefits	(150.8)	(233.4)	(318.0)	(433.8)	(565.1)	38.5%
Citywide Operating Budget Costs	(21.4)	(8.2)	(94.2)	(219.4)	(304.8)	20.8%
Departmental Costs	(67.0)	(111.2)	(156.5)	(198.9)	(242.2)	16.5%
Total Uses - (Increase) / Decrease:	($293.6)	($510.5)	($810.8)	($1,145.3)	($1,466.7)	100.0%
Projected Cumulative Surplus / (Shortfall):	($411.3)	($242.0)	($323.6)	($413.2)	($503.3)	

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

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

- **Revenue losses and subsequent recovery from COVID-19 pandemic:** San Francisco's economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism, all of which were impacted significantly by the COVID-19 pandemic. The Five-Year Plan assumes that San Francisco will largely recover to prior peak revenue levels over the five-year period, though that recovery is delayed from the timeline assumed in the Final Adopted Budget. Revenue projections are based on the assumption that there is widespread vaccination by fall 2021, with mass gatherings returning to pre-COVID levels by summer 2022. While most revenues are expected to rebound to pre-pandemic levels by fiscal year 2025-26, further challenges around recovery for tourism, small businesses, and office work could cause revenue to grow more slowly than projected in this report.

- **Full use of new revenue sources adopted by voters in November 2020 election:** The projections assume that Proposition I (increased transfer tax rates) continues to phase in in fiscal year 2021-22 and Proposition L (new tax on executive pay) goes into effect in fiscal year 2021-22 and fiscal year 2022-23, respectively. The report does not assume any new expenditures associated with these general tax increases although the Board of Supervisors has discussed but not appropriated funds for various purposes using these general tax proceeds. Such actions, if taken, would increase projected shortfalls accordingly. This projection also assumes implementation of Proposition F (overhaul of the business tax), which is expected to increase General Fund business tax in all years of the report, unlock $149.0 million of General Fund one-time funds that were assumed in the Final Adopted Budget for fiscal year 2021-22, and unlock $28.0 million in on-going funding in each remaining year of the report. Additionally, the projection assumes the implementation of two voter-approved November 2020 Propositions, which create new General Fund costs over the five-year period: Proposition B (Department of Sanitation and Streets) and Proposition D (Sherriff Oversight).

- **Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** This report assumes the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed memorandums of understanding (MOU) through fiscal year 2022-23 as a result of a recent amendment. Miscellaneous unions have closed MOUs through fiscal year 2021-22. This report does not assume the recession trigger in these MOUs is met, but will be revaluated for future projection updates. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody's SF Metropolitan Statistical Area CPI. This corresponds to 3.01% for fiscal year 2021-22, 2.88% for fiscal year 2022-23, 3.10% for fiscal year 2023-24, 3.11% for fiscal year 2024-25, and 2.98% for fiscal year 2025-26. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.

- **Pension investment returns meet expectations, but do not trigger a supplemental Cost of Living Adjustment (COLA)**: This report assumes a return on SFERS assets of 7.4%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.

- **Health insurance cost increases**: This projection assumes that the employer share of health insurance costs for active employees will increase by 5.5% in fiscal year 2021-22, and then 6% in each following year, for an average of 5.9% annually over the projection period. Retiree health costs are assumed to grow by 6% in fiscal year 2021-22, 5.3% in fiscal year 2022-23, and then 6.1% in each subsequent fiscal year, an average of 5.9% annually over the projection period.

- **Inflationary increase on non-personnel operating costs**: This projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of CPI. The projection reflects the Final Adopted Budget for fiscal year 2021-22, which did not include a cost-of-doing business increase for General Fund nonprofit contracts.

- **Ten-Year Capital Plan,** Information and Communications Technology (ICT) **Plan, and inflationary increases on equipment**: For capital, this report assumes the Final Adopted Budget for fiscal year 2021-22 funding levels, and assumes funding will increase by 10% annually thereafter with a significant increase in fiscal year 2024-25, in line with forthcoming recommendations in the City's upcoming Fiscal Years 2022-31 Ten-Year Capital Plan. The IT investment projection similarly assumes partial funding of projects in the City's ICT Plan in fiscal year 2021-22, in accordance with the most recent budget, and 10% annual growth in the following four years, with a significant funding increase in fiscal year 2024-25. For equipment, this report assumes the budgeted level of funding in fiscal year 2021-22, and annual growth of 10% in the following four years.

- **Deposits and withdrawals from reserves:** The projection makes several key assumptions regarding deposits to and withdrawals from major General Fund reserves. In fiscal years 2021-22 and 2022-23, $188 million from the Economic Stabilization Reserve is assumed to be withdrawn in each year, exhausting the reserve balance by the end of fiscal year 2022-23. The report assumes that deposits to this reserve are only made in the final two years of the five-year period. In order to remain consistent with the financial policies adopted by the Board of Supervisors in April 2010 and codified in Administrative Code Section 10.60(b), no funds are projected to be withdrawn from the General Reserve in the five-year period, and deposits to the General Reserve are projected to begin in fiscal year 2022-23. No withdrawal from the COVID Response and Economic Loss Reserve is assumed in this projection.

- **Property tax shifts:** In the past two fiscal years, the City's General Fund received "Excess ERAF" property tax allocations, after distributions from the Educational Revenue Augmentation Fund (ERAF) fulfilled all other statutory distributions to other local taxing entities. Legislation adopted by the Mayor and the Board of Supervisors stipulates that at least 50% of these revenues should be dedicated to on one-time affordable housing production and preservation, and 50% to be made available for other purposes. The Final Adopted Budget for fiscal years 2020-21 and 2021-22 budget does not allocate spending in accordance with this legislation, in order to most effectively allocate this resource to support priority homelessness and mental health programming in the face of the City's sharp revenue loss. This report assumes the City will continue to receive Excess ERAF revenues in all years of the report according to current state law. However, the report does not assume expenditure allocations in accordance with the previous legislation referenced above, and primarily reserves the use of these revenues to solve for projected revenue losses. Should the original legislation be enforced in the coming five years, the General Fund deficit would increase commensurately.

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

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

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

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

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

Other Budget Updates: Fiscal Year 2020-21 Six-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 "Six-Month Report") was released on February 12, 2021.

The Six-Month Report indicates a projected General Fund net surplus of $125.2 million in fiscal year 2020-21 (as compared to the Final Adopted Budget). This represents an improvement of $241 million as compared to the projected deficit of $115.9 projected in the fiscal year 2020-21 Three-Month Budget Status Report released in November 2020. The Six-Month Report noted that application of this additional projected current year fund balance would reduce the projected shortfalls in the upcoming two-year budget to $528.0 million. The January 2021 Five-Year Plan assumed the $115.9 million fiscal year 2020-21 shortfall was solved in the current year. The January 2021 Five-Year Plan also projected shortfalls of $411.1 million in fiscal year 2021-22 and an additional $242.1 million in fiscal year 2022-23, for a cumulative total of $653.2 million. These projections will be updated in or about the end of March 2021.

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

In addition, the Sixth-Month Report does not include any projections from the Federal stimulus bill, which 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 approximately $636 million. See “RECENT DEVELOPMENTS” for additional information.

TABLE A-6

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

Changes from Final Adopted Budget	
Fiscal Year 2019-20 estimated fund balance (unaudited)	$18.4
Citywide Revenue	(18.3)
Baseline Offsets	34.2
Departmental Revenues and Expenditures (including November 2020 Local Ballot Measures)	90.9
Surplus / (Shortfall)	**$125.2**

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

- The Six-Month Report estimated a fiscal year 2019-20 ending balance of approximately $388.8 million, or $18.4 million above the $370.4 million assumed in the Final Adopted Budget. The final fund balance for fiscal year 2019-20 was $388.7 million.

- Citywide revenues are now projected to be $18.3 million below the Final Adopted Budget. Property tax revenues are projected to be $195.6 million higher as compared to the Final Adopted Budget). In addition, the passage of Proposition I (which increased real property transfer tax rates) and increased real property transfer activity is projected to result in $115.8 million higher real property transfer taxes as compared to the Final Adopted Budget. These increases are offset by continued underperformance in hotel taxes ($98.4 million lower projection as compared to the Final Adopted Budget), sales taxes ($43.5 million lower projection as compared to the Final Adopted Budget) and business taxes ($158.3 million lower projection as compared to the Final Adopted Budget). The Six-Month Report reflects the continuing high levels of uncertainty relating to revenue projections.

- Voters have adopted many measures that require General Fund contributions to various purposes, the majority of which are indexed to the City’s discretionary revenues. Required contributions from the General Fund to voter-approved purposes are currently projected to decline from the Final Adopted Budget by $34.2 million as a result of the projected discretionary revenue shortfall.

- The projected $90.9 million net operating surplus in departments is comprised of a $32.9 million surplus in revenue and $57.9 million in reduced expenses.

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

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

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

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) in fiscal year 2020-21 and future fiscal years.

BUDGETARY RISKS

Threat of Extended Recession

Following the widespread shutdown of businesses and supply chain disruption in response to the COVID-19 pandemic, on June 8, 2020 the National Bureau of Economic Research announced that the US officially entered into a recession in February 2020. According to the California Employment Development Department, the State's unemployment rate hit a record high of 16.4% in April 2020 and has decreased to 8.5% 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.

Commuting Pattern Changes

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

COVID-19 Pandemic

The COVID-19 emergency is ongoing, and the City's response will likely cost hundreds of millions of dollars, depending on the ultimate duration and severity of the pandemic. The City can give no assurance of the duration or severity of the COVID-19 pandemic, and there is no assurance that its effects will not impose more significant financial and operating effects on the City before mitigation measures are successfully implemented. For additional information see "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 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 XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process.

Under the Upland Decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C"), a gross receipts tax on larger companies in the City to fund affordable housing, mental health, and other homeless services. The estimated annual values of June Propositions C and G are approximately $146 million and $50 million, respectively. The estimated annual value of November Proposition C is approximately $250 million to $300 million.

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

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

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

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

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

The Final Adopted Budget also appropriates $568 million of funds resulting from the contested commercial rents tax measure and programs those funds for voter-adopted childcare expenditures. Of this total, $135 million supports the General Fund budget. These funds were at risk and could only be released following a final court ruling the City's favor or voter adoption of the 2020 Proposition F on the November ballot. Voters approved the 2020 Proposition F. See "CITY BUDGET – Role of Controller in Budgetary Analysis and Projections" for the process in the event revenue shortfalls exceed applicable reserves and any other allowances for revenue shortfalls in the Final Adopted Budget. Parcel taxes collected for teacher compensation were similarly reserved until the legal proceedings conclude, although the adoption of Proposition J on the November 2020 ballot by a two-thirds vote removed the legal risks on the voter threshold issue going forward and will allow the appropriation of future funds collected under the new tax.

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

- A business tax reform measure, which would increase the gross receipts tax on certain taxpayers and impose new replacement general taxes on the gross receipts from the lease of certain commercial space or larger businesses if two contested 2018 (June Proposition C and November Proposition C) business tax measures are struck down. This measure is assumed in the Final Adopted Budget such that $330.8 million of new revenue transfers into the General Fund are assumed to repay prior year General Fund advances made for these purposes. As discussed above, on September 9, 2020, the California Supreme Court declined to take an appeal by the Howard Jarvis Taxpayers Association regarding November Proposition C, Homeless Gross Receipts Tax, allowing the lower court decisions in the City's favor to stand. As a result, $196 million of the $330.8 million General Fund advances assumed in the budget could be realized without regard to passage of the ballot measure.

- A transfer tax rate increase, doubling the rates on real property transfers over $10 million. The Controller's Office estimates the measure could increase transfer tax revenue between $13.0 million to $346.0 million. This measure was not assumed in the Final Adopted Budget, but it is assumed in the Six-Month Report and Five Year Financial Plan.

- An additional business tax on businesses with disproportionate executive pay, which the Controller's Office estimates could increase the City's revenue by $60 to $140 million annually. This measure is not assumed in the Final Adopted Budget, but it is assumed in the Five Year Financial Plan

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 13% of the General Fund revenues appropriated in the Final Adopted Budget for fiscal years 2020-21 and 2021-22, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

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

The State's fiscal year 2020-21 budget requires the State Controller's Office (SCO), which regularly audits all counties' allocations of property tax revenue, to issue guidelines for counties to use in the calculation and allocation of ERAF by the end of December 2020, applicable to fiscal years 2019-20 and forward only. The City has received guidance on the calculation of excess ERAF from the California State Controller's Office. See "CITY BUDGET – Fiscal Year 2020-21 Six-Month Budget Status Report.". State legislative changes are likely to be introduced in the coming months and could apply retroactively, creating uncertainty about future excess ERAF revenue.

Impact of Federal Government on Local Finances

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

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

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

On December 27, 2020, the president signed H.R. 133 Consolidated Appropriations Act 2021, funding the federal government for the rest of the federal fiscal year 2020-21 and providing additional COVID relief for individuals, businesses, and health care providers affected by the COVID pandemic. The legislation addresses key priorities for public health systems, including extension of Medicaid DSH cuts to fiscal year 2023-24 and an additional $3 billion in Provider Relief Funding (PRF) created in the CARES Act. In addition, the Center for Medicare and Medicaid Services granted a one-year extension of California's Section 1115(a) Medicaid waiver, which was set to expire on December 31, 2020. The bill did not include additional support for state and local government. The funding from H.R. 133 was not reflected in the final adopted budget for fiscal years 2020-21 and 2021-22.

See "RECENT DEVELOPMENTS" for a discussion of additional federal funding.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

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

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

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

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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 XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-7 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. It is possible that the COVID-19 Emergency will result in a reduction in property values in the City, and such reduction could be material.

The total tax rate shown in Table A-7 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), San Francisco Community College District (SFCCD), Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-33: "Statement of Direct and Overlapping Debt and Long-Term Obligations." In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Office of Community Investment and Infrastructure (OCII), the successor agency to the San Francisco Redevelopment Agency. Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received $155.5 million of property tax increment in fiscal year 2019-20 for recognized obligations, diverting about $86.5 million that would have otherwise been apportioned to the City's General Fund.

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

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TABLE A-7

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

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

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

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

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

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

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

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

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

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. 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 Emergency will result in declines in real estate values in the City, and such declines could be material.

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2019-20 are listed in Table A-8 below.

TABLE A-8

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

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

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

As of July 1, 2020 the Assessor granted 2,797 temporary decline-in-value reductions resulting in a cumulative assessed value reduction of $377.88 million (using the 2019-2020 tax rate of 1.1801% this equates to a reduction of approximately $4.46 million in General Fund taxes), compared to July 1, 2019, when the Assessor granted 2,546 temporary reductions in property assessed values worth a total of $244.01 million (equating to a reduction of approximately $2.84 million in General Fund taxes). Of the 2,797 total reductions, 633 temporary reductions were granted for residential properties, 2,065 reductions were for timeshares and 99 reductions were for historically designated properties with an existing Mills Act Contract with the

City and County of San Francisco. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If the 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely.

As of June 30, 2020, the total number of open appeals before the AAB was 1,166. During the fiscal year 2019-20 there were 1,417 new applications filed. The difference between the current assessed value and the taxpayer's opinion of values for all the open applications is $15.7 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about $185.7 million would result. The General Fund's portion of that potential $185.7 million would be approximately $87.4 million. 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 it is own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again exceeds the maximum assessed value calculated under Proposition 13.

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

Tax Levy and Collection

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

General Fund property tax revenues in fiscal year 2019-20 were $2.1 billion, representing a decrease of $173.0 million (7.7%) over fiscal year 2018-19 actual revenue. The decrease is due to recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in fiscal year 2018-19 compared to just one year in fiscal year 2019-20. The COVID-19 Emergency may negatively impact the availability of Excess ERAF contributions, as described in "Impact of the State of California Budget on Local Finances." Tables 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 Emergency, 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-9. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-9

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

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

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2019 are shown in Table A-10. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-10

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

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

[1] Certain parcels fall within RDA project areas.
[2] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year. TAV includes land & improvments, personal property, and fixtures. Values reflect information as of January 1, 2020.
[3] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).
[4] Nonprofit organization that is exempt from property taxes.
Source: Office of the Assessor-Recorder, City and County of San Francisco

Taxation of State-Assessed Utility Property

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

OTHER CITY TAX REVENUES

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

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

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

TABLE A-11

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

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

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 current 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

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

Business tax revenue in fiscal year 2019-20 was $824.7 million (all funds), representing a decrease of $94.9 million (10.3%) from fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is $828.9 million, an increase of $4.2 million (0.5%) from the fiscal year 2019-20 figures. The fiscal year 2021-22 Final Adopted Budget is $1,033.4 million, an increase of $204.5 million (24.7%) from the fiscal year 2020-21

Final Adopted Budget. The vast majority of the City's business tax is deposited in the General Fund; approximately $2.0 million is allocated to the Neighborhood Beautification Fund. These figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018 (June Proposition C and November Proposition C), which are special purpose taxes.

Revenues from business tax and registration fees follow economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency has significantly affected the business tax revenue base. The unemployment rate in the City rose to 12.6% in April 2020 (compared to 2.9% in January 2020) and remained at 12.5% in June before dropping to 6.4% in December 2020, the most recent data available. At the end of March 2020, weekly initial unemployment claims peaked at about 27,000. Though weekly initial claims fell in the following weeks, since early May 2020, initial claims have been around 5,000 weekly, more than five times higher than the average number of initial claims in the two months before the March 17, 2020 shelter-in-place order. Since March 2020, thousands of businesses have closed temporarily, some permanently.

The Final Adopted Budget assumes an underlying economic contraction of 5% in tax year 2020 and growth of 6% in tax year 2021, reflecting a quick recovery of employment lost to public health mandates. The projection also takes into account the Mayor's policies to provide relief to businesses during the pandemic through: (1) the deferral of business registration taxes owed in fiscal year 2019-20 to fiscal year 2020-21 and (2) the deferral of business tax payments for small businesses throughout the tax period to February 2021. In addition, Proposition F adopted by voters in November 2020 is assumed to generate $4.0 million of business tax in fiscal year 2020-21 and $23.0 million in fiscal year 2021-22 as intended. The Final Adopted Budget, however, does not 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.

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

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

TABLE A-12

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

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

[1] Figures for fiscal years 2016-17 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] Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.
Source: Office of the Controller, City and County of San Francisco.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2019-20 ended at $281.6 (all funds) million, a decrease of $132.7 million (32.0%) from fiscal year 2018-19. The Final Adopted Budget for fiscal year 2020-21 reflects expected hotel tax revenue of $156.7 million, a decrease of $125.0 million (44.4%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is $266.0 million, an increase of $109.3 million (69.8%) from the fiscal year 2020-21 proposed budget. Hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-13 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund. Approximately $5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $28 to $34 million of hotel tax is allocated for arts and cultural programs.

The significant decline in fiscal year 2020-21 revenue is due to the far-reaching impact of the pandemic on San Francisco's travel and hospitality industries. San Francisco's hotels are, on average, in the higher-priced tiers and rely on business travelers and tourists who arrive by air. Because of the COVID-19 pandemic, air travel is perceived as highly risky, and higher tier hotels are expected to be the slowest class of hotels to recover in this economic climate. Large gatherings and conferences, which normally drive up rates through compression pricing, remain prohibited in the City. As of March 2021, approximately 35% of San Francisco hotels remained closed, and occupancy rates for those that were open averaged 38.6%. Adjusted for room supply, the occupancy rate was 24.5%, an improvement of 199.8% from the same period last year, but still a dramatic reduction of 68.4% from March 2019 occupancy. The projected recovery of hotel tax revenue in fiscal year 2021-22 is largely based on the assumption that widespread vaccination uptake will lead to a resumption in large in-person gatherings.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of changes in occupancy and average daily room rates (ADR), and generally grew between fiscal years 2011-12 and 2018-19. During the first seven months of fiscal year 2019-20, RevPAR grew by 2.8% on average over the same period prior year. As airlines began suspending flights to and from China in February, RevPAR decreased 10.9%. The decline sharpened with the shelter in place order in March 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 some restrictions, RevPAR has also increased slightly to $30.65 in June 2020, still an 86.7% decrease from the same month in 2019. RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2025-26. See "CITY BUDGET - Five-Year Financial Plan" and "RECENT DEVELOPMENTS" for a summary of the most recent projections.

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds[1]
Fiscal Years 2016-17 through 2021-22
(000s)

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

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

[2] Figures for fiscal year 2016-17 through 2019-20 are actuals.

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

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

Real Property Transfer Tax

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

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

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

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

TABLE A-14

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

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

[1] Figures for fiscal year 2016-17 through 2019-20 are actuals

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

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

Sales and Use Tax

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

The components of San Francisco's 8.5% sales tax rate are shown in Table A-15. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

TABLE A-15

San Francisco's Sales & Use Tax Rate

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

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

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

Local sales tax (the 1% portion) revenue in fiscal year 2019-20 was $180.2 million, $33.4 million (15.7%) less than fiscal year 2018-19. The fiscal year 2020-21 Final Adopted Budget is $183.7 million, an increase of $3.5 million (1.9%) from fiscal year 2019-20. The fiscal year 2021-22 Final Adopted Budget is $185.3 million, an increase of $1.6 million (0.9%) from the fiscal year 2020-21 Final Adopted Budget. The entirety of sales tax revenue is deposited in the General Fund.

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

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

TABLE A-16

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

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2016-17	8.75%	1.00%	$189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19	8.50%	1.00%	213,625	20,679	10.7%
2019-20	8.50%	1.00%	180,184	(33,441)	-15.7%
2020-21 *budgeted*[2]	8.50%	1.00%	183,670	3,486	1.9%
2021-22 *budgeted*[2]	8.50%	1.00%	185,300	1,630	0.9%

1 Figures for fiscal year 2016-17 through fiscal year 2019-20 are actuals.
2 Figures for fiscal years 2020-21 and 2021-22 reflect Final Adopted Budget from Oct. 1, 2020.
Source: Office of the Controller, City and County of San Francisco.

Other Local Taxes

The City imposes a number of other general purpose taxes:

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

- Access Line Tax (“ALT”) – A charge of $3.64 on every telecommunications line, $27.35 on every trunk line, and $492.32 on every high capacity line in the City. The charges will increase to $3.73 on every telecommunications line, $28.02 on every trunk line, and $504.40 on every high capacity line in the City in January 2021. The ALT replaced the Emergency Response Fee (“ERF”) in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

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

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

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

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D). The tax was originally slated to go into effect on January 1, 2021, but in December 2021, the Board delayed the imposition of the tax by one year. The cannabis tax will now take effect beginning January 1, 2022.

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

Table A-17 reflects the City's actual tax receipts for fiscal years 2016-17 through 2019-20 and budgeted receipts for fiscal years 202021 through 2021-22.

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

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2016-17 through 2021-22
General Fund
(000s)

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

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

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

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

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.

- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

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

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2016-17 through 2021-22
($millions)

Tax	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Actuals	2020-21 Budget[1]	2021-22 Budget[1]
Health and Welfare Realignment						
General Fund	$192.1	$197.9	$217.6	$219.6	$190.1	$197.0
Hospital Fund	66.1	57.3	58.5	54.1	49.2	49.2
Total - Health and Welfare	**$258.2**	**$255.2**	**$276.1**	**$273.7**	**$239.4**	**$246.2**
Backfill Realignment[3]						
General Fund					$22.1	
Non General Fund					6.0	
Total - Backfill Realignment					**$28.0**	
Public Safety Realignment (General Fund)	$35.5	$37.4	$39.4	$41.1	$36.1	$33.2
Public Safety Sales Tax (Prop 172) (General Fund)	$100.4	$104.8	$107.6	$103.9	$97.1	$103.6

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

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

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

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in Table A-19 below:

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2016-17 through 2021-22
(000s)

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

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

[2] Total may not add due to rounding

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

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

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-20 reflects fiscal year 2020-21 and 2021-22 spending requirements in the Final Adopted Budget. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

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

TABLE A-20

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

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

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

EMPLOYMENT COSTS; POST-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 (all funds) and $5.8 billion in fiscal year 2021-22 in the Final Adopted Budget. For the General Fund, the combined salary and benefits budget is $2.7 billion in fiscal year 2020-21 and $2.6 billion in fiscal year 2021-22 in the Final Adopted Budget.

This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-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 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-21

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

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	512	30-Jun-22
Bricklayers, Local 3	6	30-Jun-22
Building Inspectors' Association	91	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	43	30-Jun-22
Deputy Probation Officers' Association (DPOA)	133	30-Jun-22
Deputy Sheriffs' Association (DSA)	812	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	968	30-Jun-22
Firefighters' Association, Local 798	1,912	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 36	4	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,169	30-Jun-22
Municipal Attorneys' Association (MAA)	476	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,499	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	67	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	133	30-Jun-22
Pile Drivers, Local 34	27	30-Jun-22
Plumbers, Local 38	358	30-Jun-22
Police Officers' Association (POA)	2,669	30-Jun-21
Professional and Technical Engineers, Local 21	6,541	30-Jun-22
Roofers, Local 40	12	30-Jun-22
SEIU, Local 1021 Misc	12,830	30-Jun-22
SEIU, Local 1021 Nurses	1,736	30-Jun-22
Sheet Metal Workers, Local 104	39	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	117	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	687	30-Jun-22
Teamsters, Local 853	187	30-Jun-22
Teamsters, Local 856 Miscellaneous	96	30-Jun-22
Teamsters, Local 856 Supervising Nurses	130	30-Jun-22
TWU, Local 200	425	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	45	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,720	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	201	30-Jun-22
Unrepresented Employees	90	30-Jun-22
Other	1002	
	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 Emergency and the ensuing recession have led to stock market volatility. A decline in market value could result in future increases in required pension fund contributions.

History and Administration

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

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

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

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

Membership

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

TABLE A-22

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

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Active to Retiree Ratio
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133
2019	34,202	8,911	1,044	44,157	30,778	1.111
2020	34,521	9,478	1,071	45,070	30,128	1.146

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.

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-23 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2014-15 through 2018-19. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-23

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2014-2015 through 2018-2019
(Amounts in 000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2015	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2017	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40
2018	27,335,417	24,557,966	23,866,028	89.8	87.3	983,763	23.46
2019	28,798,581	26,078,649	25,247,549	90.6	87.7	1,026,036	23.31

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

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

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

As shown in the table above as of July 2019, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

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

Risks to City's Retirement Plan

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

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

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

TABLE A-23(a)

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2015-16 through 2019-20
(000s)

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

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

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

Asset Management

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

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 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 February 28, 2021, the unaudited value of the System assets was $31.2 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 March 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 March 31, 2021

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$6,803,860,000	$6,831,412,565	$6,828,943,962
Federal Agencies	2,994,040,000	2,993,257,920	3,017,648,330
State and Local Obligations	54,967,414	54,597,045	54,991,798
Public Time Deposits	40,000,000	40,000,000	40,000,000
Negotiable Certificates of Deposit	1,705,000,000	1,705,000,000	1,706,247,353
Money Market Funds	866,965,544	866,965,544	866,965,544
Supranationals	287,135,000	285,906,887	287,665,542
Total	$12,751,967,958	$12,777,139,961	$12,802,462,529

March Earned Income Yield: 0.568%

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 March 31, 2021

Maturity in Months			Par Value	Percentage
0	to	1	1,774,965,544	13.92%
1	to	2	1,144,667,414	8.98%
2	to	3	1,620,000,000	12.70%
3	to	4	988,965,000	7.76%
4	to	5	478,700,000	3.75%
5	to	6	650,000,000	5.10%
6	to	12	3,703,935,000	29.05%
12	to	24	895,140,000	7.02%
24	to	36	430,495,000	3.38%
36	to	48	495,000,000	3.88%
48	to	60	570,100,000	4.47%
			$12,751,967,958	100.00%

Weighted Average Maturity: 313 Days

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

Further Information

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

CAPITAL FINANCING AND BONDS

Capital Plan

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

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

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

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

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

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

The Proposed Capital Plan for fiscal years 2022-2031 ("Proposed Capital Plan") has been submitted to the Mayor and the Board of Supervisors for consideration and passage by May 1, 2021. The Proposed 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 Proposed Capital Plan proposes $1.2 billion for General Fund pay-as-you-go capital projects over the next 10 years, which is $1 billion lower than the Adopted Capital Plan funding level due to budget impacts in the coming years resulting from COVID-19.

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 April 1, 2021, the City had approximately $2.8 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 April 1, 2021 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2020-21 [3]	$290,515,457	$100,613,983	$391,129,440
2021-22	165,278,401	100,166,411	265,444,812
2022-23	167,235,251	92,687,392	259,922,643
2023-24	170,311,206	85,029,247	255,340,452
2024-25	172,516,476	77,209,503	249,725,979
2025-26	165,471,279	69,374,641	234,845,920
2026-27	172,030,840	62,253,325	234,284,165
2027-28	178,064,035	55,153,354	233,217,390
2028-29	179,726,751	48,126,202	227,852,953
2029-30	177,385,095	40,870,472	218,255,567
2030-31	140,701,950	33,878,630	174,580,580
2031-32	145,470,000	28,801,981	174,271,981
2032-33	112,225,000	23,808,986	136,033,986
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
TOTAL [4]	**$2,838,046,740**	**$962,004,609**	**$3,800,051,349**

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

[2] Totals reflect rounding to nearest dollar.

[3] Net of payment of principal and interest on the Series 2020D-2 Bonds, all of which came due December 15, 2020.

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

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

Authorized but Unissued City GO Bonds

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

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

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

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

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. 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 following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-29 below.

TABLE A-29

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

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

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

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

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

Table A-30 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 April 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 April 1, 2021[1]

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	-	
			2007A	$30,315,450	$17,151,740	[2]
			2015A	$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	$72,420,000	$71,525,000	
			2020C	$102,580,000	$102,580,000	$85,684,550
Clean & Safe Neighborhood Parks	2/5/08	$185,000,000	2008B	$42,520,000	-	
			2010B	$24,785,000	-	
			2010D	$35,645,000	$32,910,000	
			2012B	$73,355,000	-	
			2016A	$8,695,000	$6,855,000	-
San Francisco General Hospital & Trauma Center	11/4/08	$887,400,000	2009A	$131,650,000	-	
Earthquake Safety			2010A	$120,890,000	-	
			2010C	$173,805,000	$160,465,000	
			2012D	$251,100,000	$139,315,000	
			2014A	$209,955,000	$145,960,000	-
Earthquake Safety and Emergency Response Bond	6/8/10	$412,300,000	2010E	$79,520,000	-	
			2012A	$183,330,000	-	
			2012E	$38,265,000	$26,755,000	
			2013B	$31,020,000	$15,860,000	
			2014C	$54,950,000	$38,175,000	
			2016C	$25,215,000	$20,450,000	-
Road Repaving & Street Safety	11/8/11	$248,000,000	2012C	$74,295,000	-	
			2013C	$129,560,000	$66,195,000	
			2016E	$44,145,000	$35,795,000	-
Clean & Safe Neighborhood Parks	11/6/12	$195,000,000	2013A	$71,970,000	$36,785,000	
			2016B	$43,220,000	$22,255,000	
			2018A	$76,710,000	$43,145,000	
			2019B	$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	$400,000,000	2014D	$100,670,000	$69,920,000	
			2016D	$109,595,000	$68,985,000	
			2018C	$189,735,000	$132,715,000	-
Transportation and Road Improvement	11/4/14	$500,000,000	2015B	$67,005,000	$39,985,000	
			2018B	$174,445,000	$98,115,000	
			2020B	$135,765,000	$135,765,000	$122,785,000
Affordable Housing Bond	11/3/15	$310,000,000	2016F	$75,130,000	$46,130,000	
			2018D	$142,145,000	$98,120,000	
			2019C	$92,725,000	$25,225,000	-
Public Health and Safety Bond	6/7/16	$350,000,000	2017A	$173,120,000	$112,175,000	
			2018E	$49,955,000	$35,195,000	
			2020D-1	$111,925,000	$111,925,000	
			2020D-2	$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	$425,000,000	2020A	$49,675,000	$9,475,000	$375,325,000
Affordable Housing Bond	11/5/19	$600,000,000	2021A	$254,585,000	$254,585,000	$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	$11,500,000	$547,785,000
Health and Recovery Bond	11/4/20	$487,500,000				$487,500,000
SUBTOTAL		$5,978,700,000		$4,014,205,450	$2,301,206,740	$1,964,494,550

General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2011-R1	11/9/12			$339,475,000	$120,760,000	
Series 2015-R1	2/25/15			$293,910,000	$220,830,000	
Series 2020-R1	5/7/20			$195,250,000	$195,250,000	
SUBTOTAL				$828,635,000	$536,840,000	
TOTALS		**$5,978,700,000**		**$4,842,840,450**	**$2,838,046,740**	**$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 April 1, 2021.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of April 1, 2021[1]

Fiscal Year[2]	Principal	Interest [3]	Annual Payment Obligation
2020-21 [4]	$4,180,000	$1,545,850	$5,725,850
2021-22	57,450,000	63,502,975	120,952,975
2022-23	61,915,000	59,596,644	121,511,644
2023-24	64,900,000	56,684,668	121,584,668
2024-25	66,200,000	53,603,887	119,803,887
2025-26	67,610,000	50,504,966	118,114,966
2026-27	70,820,000	47,263,427	118,083,427
2027-28	65,765,000	44,053,307	109,818,307
2028-29	70,760,000	40,882,160	111,642,160
2029-30	71,370,000	37,754,063	109,124,063
2030-31	66,675,000	34,920,514	101,595,514
2031-32	59,625,000	32,379,816	92,004,816
2032-33	60,560,000	30,127,441	90,687,441
2033-34	62,850,000	27,680,760	90,530,760
2034-35	55,815,000	25,353,447	81,168,447
2035-36	55,880,000	22,944,643	78,824,643
2036-37	55,370,000	20,494,029	75,864,029
2037-38	57,615,000	18,059,264	75,674,264
2038-39	59,945,000	15,524,156	75,469,156
2039-40	62,385,000	12,882,072	75,267,072
2040-41	64,915,000	10,131,868	75,046,868
2041-42	56,000,000	7,430,811	63,430,811
2042-43	20,990,000	5,247,200	26,237,200
2043-44	19,855,000	4,388,600	24,243,600
2044-45	20,650,000	3,594,400	24,244,400
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL [5]	**$1,449,310,000**	**$734,884,768**	**$2,184,194,768**

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

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

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

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

[3] Totals reflect rounding to nearest dollar.

[4] Excludes payments made to date in current fiscal year.

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

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

Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease- purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of January 15, 2021, the total authorized and unissued amount for such financings was \$82.3 million.

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

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

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

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

*TABLE A-32**

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of April 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
Subtotal Certificates of Participation		**$1,501,625,000**	**$1,339,010,000**
LEASE PURCHASE FINANCING			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$10,086,565
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	21,185,295
Subtotal Lease Revenue Bonds		**$56,733,625**	**$31,271,861**
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	$72,670,000	$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	29,090,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	11,060,000
Subtotal Lease Revenue Bonds		**$215,925,000**	**$110,300,000**
Total General Fund Obligations		**$1,774,283,625**	**$1,480,581,861**

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

Board Authorized and Unissued Long-Term Certificates of Participation

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

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

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $94.6 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) to (i) finance or refinance the site acquisition of 814-20 Bryant Street and 470 6th Street and related construction, acquisitions, and improvement costs; and (ii) finance or refinance the acquisition of 1828 Egbert Avenue and related construction, acquisitions, and improvement costs. The City anticipates issuing the certificates in April/May 2021.

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

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

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

Commercial Paper Program

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

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

As of April 1, 2021, the outstanding principal amount of CP Notes is $112.6 million. The weighted average interest rate for the outstanding CP Notes is approximately 0.13%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Housing Trust Fund, and the Hall of Justice Relocation Project. Also utilizing the CP Program is the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment ("SFGH FF&E"). The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	**CP Notes Liability as of 4/1/2021**
Housing Trust Fund	$18,750,000
Hall of Justice Relocation	$83,965,000
SFGH FF&E	$9.885,000
TOTAL	**$112,600,000**

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of April 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 April 1, 2021

2020-21 Assessed Valuation (includes unitary utility valuation):	$302,011,940,399	1
GENERAL OBLIGATION BONDED DEBT		
San Francisco City and County	$2,838,046,740	
San Francisco Unified School District	1,055,950,000	
San Francisco Community College District	492,235,000	
TOTAL GENERAL OBLIGATION BONDS	$4,386,231,740	
LEASE OBLIGATIONS BONDS		
San Francisco City and County	$1,470,495,295	
LONG-TERM OBLIGATIONS	$1,470,495,295	2
TOTAL COMBINED DIRECT DEBT	$5,856,727,035	
OVERLAPPING TAX AND ASSESSMENT DEBT		
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	
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	$1,325,586,266	
OVERLAPPING TAX INCREMENT DEBT:		
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	$8,185,793,673	4
Ratios to 2020-21 Assessed Valuation ($302,011,940,399)	**Actual Ratio**	
Direct General Obligation Bonded Debt ($4,386,231,740)	1.45%	5
Combined Direct Debt ($5,856,727,035)	1.94%	
Total Direct and Overlapping Bonded Debt	2.71%	
Ratio to 2020-21 Redevelopment Incremental Valuation ($37,591,667,028)		
Total Overlapping Tax Increment Debt	2.67%	

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

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

[3] Reflects 2020-21 ratio.

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

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

Proposition 1A

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

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

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

Proposition 22

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

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

Proposition 26

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

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

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

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

Future Initiatives and Changes in Law

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

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

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 restauranteur; 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 expediters, (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.

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.

CDE General Obligation Bond Sale Resolutions and Appropriation Ordinance

Transportation & Road Improvement 2021C - MTA - $122,785,000;
Health & Recovery 2021D - RPD, HSH, DPH, DPW - $425,000,000;
Earthquake Safety & Emergency Response 2021E - DPW and PUC - $90,000,000

Budget & Finance Committee

May 12, 2021

Sources and Uses for Proposed GO Bond Series 2021CDE

	Transportation (2021C)	Health & Recovery (2021D)	ESER (2021E)	Total
Maximum Not to Exceed Amount:	$122,785,000	$425,000,000	$90,000,000	$637,785,000
Estimated Sources:				
Par Amount	$122,785,000	$421,310,000	$87,345,000	$631,440,000
Total Estimated Sources:	$122,785,000	$421,310,000	$87,345,000	$631,440,000
Estimated Uses:				
Project Fund Deposits:				
Project Fund	$122,114,215	$417,323,993	$86,516,188	$625,954,396
CSA Audit Fee	$244,228	$834,647	$173,032	$1,251,907
Total Project Fund Deposits:	$122,358,443	$418,158,640	$86,689,220	$627,206,303
Cost of Issuance	$180,987	$623,500	$131,710	$936,197
Underwriter's Discount	$122,785	$2,106,550	$436,725	$2,666,060
CGOBOC Fee	$122,785	$421,310	$87,345	$631,440
Total Delivery Expense:	$426,557	$3,151,360	$655,780	$4,233,697
Reserve for Market Uncertainty:	N/A	$3,690,000	$2,655,000	$6,345,000
Total Estimated Uses:	$122,785,000	$425,000,000	$90,000,000	$637,785,000

Fiscal Impact of Proposed GO Bond Series 2021CDE

- Estimated Financing Costs*

  Projected par: $631,440,000

  Estimated interest rate: 3.75%

  Estimated total interest cost: $347,740,000

  Estimated Annual Property Tax Impact: $12.99 per $100,000 ($77.06 for $600K home)

- Debt Capacity

  Certified Net Assessed Valuation (Net AV) for FY20-21: $301,409,160,689

  3% GO Debt Capacity: $9,042,274,821

  GO Debt Outstanding as of 5/1: $2,838,046,740 (0.94% of Net AV)

  GO Debt Outstanding including proposed 2021CDE Bonds: $3,469,486,740 (1.15% of Net AV)

- Capital Planning Constraint

  Issuance of 2021CDE bonds is consistent with FY2006 property tax rate cap policy

** Interest rate and cost estimates provided by Fieldman, Rolapp & Associates, Inc., an MSRB-registered municipal advisory firm*

2014 Transportation and Road Improvement

The Mayor's Transportation Task Force from 2013, Transportation 2030, recommended that the SFMTA be included in the City's General Obligation Program.

The 2014 Transportation and Road Improvement General Obligation Bond passed in November 2014 with 71.9% of the vote.

Amount Issued to date:	Final Issuance:	Issuance Date:
$377.2 m	**$122.8 m**	**Spring 2021**

*Cost of issuance is $5 million over the program

2014 Transportation and Road Improvement

The 2014 Transportation and Road Improvement General Obligation Bond has delivered safer, faster, and more reliable transit. It has also invested in improving the walking and bicycling environment.

Funded Projects

55

Projects Open for Use

21

4th Issuance Projects

Project/Uses	4th Issuance Amount
Better Market Street	$63,548,000
L-Taraval Muni Forward	$11,250,000
BART Canopies	$42,000,000
Western Addition Signals	$4,527,882
Contingency	$788,333
Cost of Issuance/Fees	$370,785 (est.)
Total	**$122,785,000**

Health & Recovery Bond Summary

Total Bond Program = $487.5 million

Department	First Sale (current request)	Future Sale
HSH	$147,000,000	
DPH	$60,000,000	
REC	$176,500,000	$62,500,000
DPW	$41,500,000	
Total	$425,000,000	$62,500,000

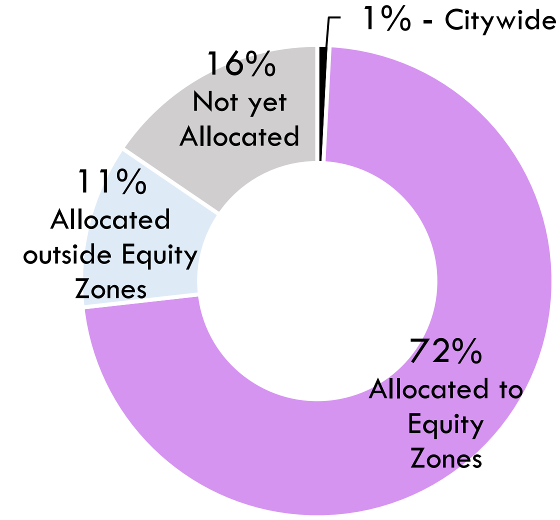
Health & Recovery Bond – Recreation and Parks

First Sale Request: $176.5 M

$101 M for Neighborhood Parks, $54 M for Recovery Parks, $14.32 for Citywide Parks and Programs, $7.18 M for Admin. Costs (Split with other Depts.)

Parks & Open Space: $239M			
NEIGHBORHOOD PARKS	101	PROGRAMS	136
Buchanan Street Mall	2	Citywide Parks	18
Gene Friend Rec Center	30	Recovery Parks (Priorities include Crocker Amazon, Buena Vista, Jackson, Richmond Senior Park, South Sunset & Portsmouth Square)	86
Herz Playground/ Sunnydale HOPE SF	10	Sustainability	14
India Basin	29	Playgrounds	9
Japantown Peace Plaza	25	Community Opportunity Fund	6
Contingency – Projects	*5*	Trails	1
		Community Gardens	0.6
ADMINISTRATION	2	*Contingency - Programs*	*1.4*

Projects located in Equity Zones



Health & Recovery Bond - Homelessness and Supportive Housing

Bond proceeds will be used to stabilize, acquire, construct, expand, and/or improve Permanent Supportive Housing units and shelters. The estimated budget for this bond component is $147 million and based on current estimates those funds would support capital costs approximately 250 Permanent Supportive Housing beds and 75 shelter beds.

Homelessness and Supportive Housing*	
888 Post – Transition Age Youth Navigation Center	$29.1 million
Housing Acquisition	$116.6 million
Program Delivery	$1 million
Controller Audits	$0.3 million
Total: Homelessness and Supportive Housing	$147.0 million

* Project fund allocations shown include bond issuance and oversight costs.

Health & Recovery Bond - Homelessness and Supportive Housing

Preliminary program updates:

888 Post – Transition Age Youth Navigation Center: Subject to the availability of funds, the Department intends to exercise its option to purchase 888 Post by the end of July 2021, with a target acquisition date of august 31, 2021. This timeline includes passing an authorizing resolution through the Board of Supervisors plus a 30-day closing period.

Housing Acquisition: While many factors could impact this schedule, the Department projects using all funding for housing acquisition by a target date of December 2023. This initial date assumes all bond funds are available with sufficient lead time.

Health & Recovery Bond - Public Health

With the issuance of Health & Recovery Bond funds DPH is proposing to invest in important facility acquisitions, renovations, and expansion across the continuum of care – from renovating and expanding Psychiatric Emergency Services (PES) at ZSFG to better serve clients in crisis to acquiring buildings to provide placements for much needed treatment and long-term care support.

DPH Allocation*	
Behavioral Health Acquisitions & Rehabilitation	$43.5 million
Psychiatric Emergency Services (PES) Renovation & Expansion at ZSFG	$11.4 million
Planning, Program and Project Management	$5 million
Controller Audits	$0.1 million
Total: Public Health	$60.0 million

* Project fund allocations shown include bond issuance and oversight costs.

Health & Recovery Bond - Public Health

Behavioral Health Acquisitions & Rehabilitation DPH will utilize bond funds to acquire and rehabilitate buildings to provide priority bed placements for critical behavioral health services, such as board and care and other residential care, locked acute and sub-acute treatment facilities, psychiatric skilled nursing facilities, residential treatment facilities, or residential stepdown facilities. Buildings may also serve as locations for access and delivery of necessary outpatient or patient access and engagement services.

Psychiatric Emergency Services (PES) Renovation & Expansion at ZSFG Since the current Psychiatry Emergency Service (PES) facility opened in 1987, PES patient volume has increased by approximately 50%. The PES environment is now woefully inadequate to provide patients an appropriately respectful amount of personal space, and to allow PES staff to use best practices to maintain a safe treatment setting for patients and staff.

Preliminary Program Schedules			
Program	**Planning/ Programming**	**Bid/Award**	**Acquisition/ Rehabilitation**
Behavioral Health Acquisitions & Rehabilitation	In progress – 12/2021		01/2022 – 01/2023
Psychiatric Emergency Services (PES) Renovation & Expansion at ZSFG	100% CD's September 2021	October 2022	December 2022 – January 2024

Health & Recovery Bond - Public Works

The Department of Public Works (DPW) will invest $31.5 million for street resurfacing; $5 million for the design, construction, and maintenance of ADA-compliant accessible curb ramps; and $5 million for the repair and maintenance of street structures.

Right-of-Way Repair*	
Street Resurfacing	$31.4 million
Curb Ramps	$5.0 million
Street Structures and Plazas	$5.0 million
Controller Audits	$0.1 million
Total: Right-of-Way Repair	$41.5 million

* Project fund allocations shown include bond issuance and oversight costs.

Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

REQUEST FOR APPROVAL OF:

- Resolution authorizing and approving the sale of Not to Exceed $90,000,000 in General Obligation Bonds (second bond sale) for the Earthquake Safety & Emergency Response Bond Program 2020.

- Ordinance appropriating $90,000,000 of the series 2021E Earthquake Safety & Emergency Response General Obligation bond proceeds; and placing these funds on Controller's reserve pending sale of the bonds.

BOND AUTHORIZATION TOTAL : ***$628,500,000***

PROPOSED ISSUANCE: ***$90,000,000***

PROPOSED DATE OF ISSUANCE: ***JULY 2021***

Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

Bond Component	Description & Key Deliverables	Project Selection Process	2nd Bond Sale Planned Efforts
Emergency Firefighting Water System	Renovate, expand, and seismically upgrade the City's **Emergency Firefighting Water System**	Projects selected by SFPUC Management Oversight Committee are Potable Emergency Firefighting Water System (PEFWS), Fireboat Manifolds, and system studies.	Planning, design, and construction of assigned projects
Neighborhood Fire Stations and Support Facilities	Strengthen, improve, and rehabilitate **Neighborhood Fire Stations and Support Facilities**, including the replacement of the firefighter training facility currently located on Treasure Island and the Fire Station 7 Replacement project	Fire Department projects are selected from among the list of stations and other facilities that are identified as in most need from operational and state of condition assessments. The replacement Fire Training Facility is driven by the fact that it must vacate its current location on Treasure Island by 2026. Other projects to be named will align with exigent operational and state of condition needs.	Fire Training Facility ("FTF") site acquisition; FTF and Fire Station 7 Replacement Project programming, site due diligence, environmental review and agency approvals, design, and CM/GC procurement and pre-construction efforts
District Police Stations and Support Facilities	Make seismic, safety and operations improvements to district police stations and City-owned **District Police Stations and Support Facilities**	Police Department projects are selected from among the list of stations and other facilities that are identified as in most need from operational and state of condition assessments. The projects selected pose a life-safety hazard as they are at-risk of partial or substantial collapse from the effect of a major earthquake.	N/A
Disaster Response Facilities	Upgrade or replace critical City-owned **Disaster Response Facilities** to assure the City can deploy aid, provide shelter, and coordinate emergency response activities	Kezar Pavilion was selected as a facility with high seismic vulnerabilities and opportunities to serve multiple disaster-response functions. The project benefits a vulnerable asset while augmenting the City's emergency preparedness capabilities and expanding program opportunities for general public use.	N/A
911 Call Center	Expand the **9-1-1 Response Facilities** to provide more dispatchers, new technologies and increased efficiencies	The City's Emergency Operations Center requires a major upgrade and expansion of its 9-1-1 Call Center to best align with the service needs of a growing San Francisco begins to respond to its functional mission.	N/A

Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

Bond Component	Bond Authorization	Bond Budget	1st Bond Issuance[1]	Proposed 2nd Bond Issuance	Future Bond Sales[2]
Emergency Firefighting Water System	$153,500,000	$151,170,852	$20,000,000	$15,000,000	$116,170,852
Neighborhood Fire Stations and Support Facilities	$275,000,000	$270,827,260	$2,900,000	$71,516,188	$196,411,073
District Police Stations and Support Facilities	$121,000,000	$119,163,994	$32,022,200	$0	$87,141,794
Disaster Response Facilities	$70,000,000	$68,937,848	$15,855,705	$0	$53,082,143
911 Call Center	$9,000,000	$8,863,438	$8,863,438	$0	$0
Subtotal Bond Components	**$628,500,000**	**$618,963,392**	**$79,641,343**	**$86,516,188**	**$452,805,862**
Oversight, Accountability, COI		$9,536,608	$1,073,657	$828,812	$4,979,139
Reserve for Market Uncertainty			$2,655,000	$2,655,000	
TOTAL	**$628,500,000**	**$628,500,000**	**$80,715,000**	**$90,000,000**	**$457,785,000**

[1] Pre-bond expenditure reimbursements are in process (funded by the 1st Bond Sale); amounts reflect final totals from executed bond sale
[2] Future bond sale values pertaining to components/projects, Oversight, Accountability, and COI

Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

Program Schedule Overview

Bond Component	Planning / Design / Permits	Bid/Award	Construction
Emergency Firefighting Water System*	In progress – 12/24	1/21 – 6/25	6/21 – 12/26
Neighborhood Fire Stations & Support Facilities*	01/21 – 06/24	04/23 – 01/25	01/25 – 06/27
District Police Stations & Support Facilities*	04/21 – 01/24	10/21 – 09/24	04/22 – 09/26
Disaster Response Facilities – Kezar Pavilion	04/21 – 10/23	10/23 – 03/24	03/24 – 12/25
911 Call Center	05/21 – 01/22	01/22 – 05/22	06/22 – 06/23

* Multi-project bond component