

File No. 200088

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 26, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

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OTHER (Use back side if additional space is needed)

- Notice of Intention to Sell
- Official Notice of Sale
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Completed by: Linda Wong

Date February 21, 2020

Completed by: Linda Wong

Date _____

1 [General Obligation Refunding Bonds - Not to Exceed \$1,482,995,000]

2
3 **Resolution authorizing the issuance from time to time, in one or more series, of not to**
4 **exceed \$1,482,995,000 aggregate principal amount of City and County of San Francisco**
5 **General Obligation Refunding Bonds (Bonds), including an initial Series or Series of**
6 **such Bonds in an aggregate principal amount not to exceed \$255,000,000 to be**
7 **designated as “City and County of San Francisco General Obligation Refunding Bonds,**
8 **Series 2020-R1” (Series 2020-R1 Bonds), to refund certain outstanding General**
9 **Obligation Bonds of the City (Prior Bonds); approving the form and terms of said**
10 **Bonds; authorizing the execution, authentication and registration of said Bonds;**
11 **providing for the appointment of Depositories, Verification Agents, and other Agents**
12 **for said Bonds; approving the form and authorizing the execution and delivery of**
13 **Escrow Agreement(s) relating to the Prior Bonds; approving and directing the tax levy**
14 **for repayment of said Bonds; approving procedures for competitive or negotiated sales**
15 **including approving forms of Official Notice of Sale and Notice of Intention to Sell said**
16 **Bonds and authorizing the selection of Underwriter(s) and the execution and delivery**
17 **of Bond Purchase Contract(s); approving the form and authorizing the execution and**
18 **delivery of Continuing Disclosure Certificates; approving the form and authorizing the**
19 **distribution of the Preliminary Official Statement and authorizing the execution,**
20 **delivery, and distribution of the Official Statement for the Series 2020-R1 Bonds;**
21 **authorizing payment of Costs of Issuance of said Bonds; approving modifications to**
22 **documents; ratifying actions previously taken; and granting general authority to City**
23 **officials to take necessary actions in connection with the authorization, issuance, sale,**
24 **and delivery of the Bonds, including the Series 2020-R1 Bonds and the Prior Bonds.**

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1 WHEREAS, The Board of Supervisors ("Board") of the City and County of San
2 Francisco ("City") has, pursuant to the applicable laws of the State of California ("State"), the
3 Charter of the City ("Charter"), and previous resolutions duly adopted and proceedings duly
4 conducted by the Board, previously authorized the issuance, sale and delivery of certain City
5 general obligation bonds listed in Exhibit A attached hereto (referred to herein as the "Prior
6 Bonds") (a copy of which is on file with the Clerk of Board of Supervisors and which is hereby
7 declared to be a part of this Resolution as if fully set forth herein) to assist in the financing, or
8 refinancing, of the acquisition, construction, and improvement of certain municipal facilities or
9 programs; and

10 WHEREAS, The Board desires to issue and sell, from time to time, the City's General
11 Obligation Refunding Bonds (referred to herein as the "Bonds") in the aggregate principal
12 amount not to exceed \$1,482,995,000, including an initial series of such Bonds in the amount
13 of \$255,000,000 pursuant to this Resolution of the Board ("Resolution"), the laws of the State
14 of California including Title 5, Division 2, Part 1, Chapter 3, Article 9 of the California
15 Government Code, the Charter, the Administrative Code of the City ("Administrative Code")
16 and any ordinance now or hereinafter in effect, in order to reduce the amount of debt service
17 payments on the Prior Bonds by refunding and setting aside funds to retire all or a portion of
18 the Prior Bonds and to pay the costs of issuance of the Bonds; now, therefore, be it

19 RESOLVED, By the Board of Supervisors of the City, as follows:

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

21 Section 2. Conditions Precedent. All conditions, things and acts required by law to
22 exist, to happen and to be performed precedent to the adoption of this Resolution exist, have
23 happened and have been performed in due time, form and manner in accordance with
24 applicable law, and the City is now authorized pursuant to the Charter and applicable law to
25 issue the Bonds and incur indebtedness in the manner and form provided in this Resolution.

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

4 Section 4. Authorization of Issuance of the Bonds. (a) The Board hereby authorized
5 the issuance, from time to time and in one or more series and on a parity basis (each a
6 “Series”), of the City’s General Obligation Refunding Bonds in an aggregate amount not to
7 exceed \$1,482,995,000. The Bonds shall be designated generally as “City and County of San
8 Francisco General Obligation Refunding Bonds, Series _____-R___,” or such other designation
9 as the Director of Public Finance (as defined below) shall determine, with each Series of
10 Bonds to bear such additional designation as may be necessary or appropriate to distinguish
11 such Series from every other Series of Bonds, as provided in Section 5 hereof.

12 Each Series of Bonds shall be issued in accordance with this Resolution, the applicable
13 laws of the State, the Charter, the Administrative Code and any ordinance now or hereinafter
14 in effect.

15 (b) The initial Series of such Bonds shall be issued in an aggregate principal
16 amount not to exceed \$255,000,000 and designated as “City and County of San Francisco
17 General Obligation Refunding Bonds, Series 2020-R1” (and if issued in more than one series,
18 then “Series 2020-R2” and so forth), and will be issued in accordance with the provisions of
19 this Resolution.

20 (c) The Controller’s Director of Public Finance, or such other officer carrying out
21 such duties on behalf of the City, or his or her designee (“Director of Public Finance”), is
22 hereby authorized and directed to determine which issues (or maturities within any issue) of
23 the Prior Bonds shall be refunded from proceeds of any Series of Bonds and to provide for the
24 sale of any Series of Bonds by competitive or negotiated sale as herein provided, subject to
25 the following terms and conditions applicable to each Series of Bonds:

1 (i) The (A) total present value of the aggregated debt service to maturity on each
2 Series of Bonds to be issued at any time, shall not exceed (B) the total present value of the
3 aggregated debt service to maturity on the Prior Bonds to be refunded by such Series,
4 calculated as of the date of the issuance of such Series of Bonds and using an assumed rate
5 of interest equal to the yield (as to defined below) on such Series; provided, however, that the
6 present value of (B) less (A) must be at least 3% of outstanding principal amount of the Prior
7 Bonds to be refunded by such Series. As used herein, "yield" shall mean the yield on the
8 applicable Series of Bonds as calculated pursuant to the provisions of the Internal Revenue
9 Code of 1986, as amended from time to time. The Controller shall determine compliance with
10 the requirements of this Section 4(c)(i) in a written certificate.

11 (ii) The Series of Bonds shall not have a true interest cost in excess of twelve
12 percent (12%) (for purposes of this paragraph, true interest cost means that nominal annual
13 interest rate which, when compounded semiannually and used to discount all payments of
14 principal and interest payable on such Series of Bonds to the dated date of such Series of
15 Bonds, results in an amount equal to the principal amount of such Series of Bonds plus the
16 amount of any premium offered (disregarding for the purposes of the calculation the accrued
17 interest, if any, to the date of delivery of the Series of Bonds));

18 (iii) The Series of Bonds shall not have a final maturity date later than the final
19 maturity date of all of the Prior Bonds to be refunded;

20 (iv) Costs of issuance with respect to the Series of Bonds (excluding underwriter's
21 discount and any cost of credit enhancement) shall not exceed two percent (2%) of the
22 principal amount of such Series of Bonds;

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1 (v) The purchase price of the Series of Bonds shall not be less than the par amount
2 of such Series of Bonds;

3 (vi) In the event of a negotiated sale of the Series of Bonds as provided under
4 Section 19 hereof, underwriter's discount shall not exceed one percent (1%);

5 (vii) In the event the Director of Public Finance determines to sell any Series of
6 Bonds (or portion thereof) with credit enhancement, such as a municipal bond insurance
7 policy or a letter of credit, the present value savings, as calculated by the Municipal Advisors
8 to the City, resulting from the purchase of such credit enhancement shall equal or exceed the
9 cost thereof.

10 (d) For the avoidance of any doubt, subject to compliance with the limitation of
11 Section 4(c)(i) hereof, the principal amount of any Series of Bonds may be more than, less
12 than or the same as, the principal amount of the Prior Bonds to be refunded by such Series.

13 (e) The Director of Public Finance is hereby authorized to determine for each Series
14 of Bonds: the sale date, the interest rates, the definitive principal amount thereof (provided
15 that the aggregate principal amount for all Bonds shall not exceed \$1,482,995,000), the
16 maturity dates and the redemption dates, if any, and the terms of any optional or mandatory
17 redemption thereof, subject to the provisions of this Resolution.

18 (f) In connection with the issuance of each Series of Bonds, the Controller shall
19 determine which Prior Bonds, or portions thereof, shall be redeemed with the proceeds
20 thereof and specify the date or dates upon which such redemption shall occur, and the
21 Controller shall set forth such determinations in the Bond Award (as defined in Section 17
22 hereof) or the Bond Purchase Contract (as identified in Section 19 hereof), applicable to such
23 Series of Bonds.

24 Section 5. Form, Execution, Authentication and Registration of the Bonds. Each
25 Series of Bonds shall be in fully registered form without coupons in denominations of \$5,000

1 or any integral multiple thereof. The officers of the City are hereby directed to cause each
2 Series of Bonds to be prepared in sufficient quantity for delivery to or for the account of their
3 purchaser and the Controller is hereby directed to cause the blanks in such Series of Bonds
4 to be completed in accordance with this Resolution and the Bond Award (as defined in
5 Section 24 hereof), to procure their execution by the proper officers of the City (including by
6 facsimile signature, if necessary or convenient, except that any signature of the Clerk of the
7 Board of Supervisors shall be by manual signature) and authentication as provided in this
8 Section, and to deliver each Series of Bonds when so executed to said purchaser in exchange
9 for the purchase price thereof, all in accordance with this Resolution.

10 The form of each Series of Bonds and the Certificate of Authentication and registration,
11 to be manually executed by the Treasurer of the City or his or her designee ("City Treasurer"),
12 shall be substantially in the form attached hereto as Exhibit B (a copy of which is on file with
13 the Clerk of the Board of Supervisors and which is hereby declared to be a part of this
14 Resolution as if fully set forth herein), with such necessary or appropriate variations,
15 omissions and insertions as permitted or required by this Resolution and made in accordance
16 with Section 24 hereof. "CUSIP" identification numbers may be imprinted on Bonds, but such
17 numbers shall not constitute a part of the contract evidenced by the Bonds and any error or
18 omission with respect thereto shall not constitute cause for refusal of any purchaser to accept
19 delivery of and to pay for the Bonds. In addition, failure on the part of the City to use such
20 CUSIP numbers in any notice to owners of the Bonds shall not constitute an event of default
21 or any violation of the City's contract with such owners and shall not impair the effectiveness
22 of any such notice.

23 Only those Bonds as shall bear thereon a Certificate of Authentication and Registration
24 in the form in Exhibit B, manually executed by the City Treasurer, shall be valid or obligatory
25 for any purpose or entitled to the benefits of this Resolution, and such Certificate of the City

1 Treasurer, executed as herein provided, shall be conclusive evidence that those Bonds so
2 authenticated have been duly authenticated and delivered hereunder and are entitled to the
3 benefits of this Resolution.

4 The City Treasurer shall assign a distinctive letter, or number, or letter and number to
5 each Series of Bonds authenticated and registered by him or her and shall maintain a record
6 thereof which shall be available for inspection.

7 Section 6. Registration Books for the Bonds. The City Treasurer shall keep or cause
8 to be kept, at the office of the City Treasurer, or at the designated office of any bond registrar
9 appointed by the City Treasurer, separate and sufficient books for the registration and transfer
10 of each Series of Bonds, which bond registration books shall at all times be open to
11 inspection, and upon presentation for such purpose, the City Treasurer shall, under such
12 reasonable regulations as he or she may prescribe, register or transfer or cause to be
13 registered or transferred, on said books each Series of Bonds, as herein provided. The City
14 and the City Treasurer may treat the registered owners of each Series of Bonds shown in
15 such registration books (the "Registered Owners") as the absolute owners thereof for all
16 purposes, and the City and the City Treasurer shall not be affected by any notice to the
17 contrary.

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

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

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

10 No transfer or exchange of a Bond shall be required to be made by the City Treasurer
11 during the period from the Record Date (as defined in Section 8 hereof) next preceding each
12 interest payment date to such interest payment date or after a notice of redemption shall have
13 been mailed with respect to such Bond.

14 Section 8. General Terms of the Bonds; Redemption Provisions. (a) General Terms.
15 Each Series of Bonds shall be dated the date of their delivery or such other date (the "Dated
16 Date") as specified in the applicable Bond Award (as defined in Section 17 hereof) or in the
17 applicable Bond Purchase Contract (as defined in Section 19 hereof). Each Series of Bonds
18 shall bear interest at rates to be determined upon the sale of such Series of Bonds, calculated
19 on the basis of a 360 day year comprised of twelve 30-day months, payable on the first
20 interest payment date designated in the applicable Bond Award or the applicable Bond
21 Purchase Contract, and semiannually thereafter on December 15 and June 15 of each year.

22 The principal of each Bond shall be payable in lawful money of the United States of
23 America to the Registered Owner thereof, upon the surrender thereof at maturity or earlier
24 redemption at the office of the City Treasurer. The interest on each Bonds shall be payable in
25 like lawful money to the Registered Owner whose name appears on the applicable bond

1 registration books of the City Treasurer as the Registered Owner thereof as of the close of
2 business on the last day of the month immediately preceding an interest payment date
3 (“Record Date”), whether or not such day is a Business Day (as defined below).

4 Each Series of Bonds shall bear interest from the interest payment date next preceding
5 the date of authentication thereof unless it is authenticated: (i) as of a day during the period
6 from the Record Date next preceding any interest payment date to the interest payment date,
7 inclusive, in which event it shall bear interest from such interest payment date; or (ii) on or
8 before the first Record Date, in which event it shall bear interest from the Dated Date;
9 provided, however, that if, at the time of authentication of any Bond, interest is in default on
10 such Bond, such Bond shall bear interest from the interest payment date to which interest has
11 previously been paid or made available for payment on such Bond or from the Dated Date if
12 the first interest payment is not made. Except as may be otherwise provided in connection
13 with any book-entry only system applicable to a Series of Bonds, payment of the interest on
14 any Series of Bonds shall be made by check mailed on the interest payment date to its
15 Registered Owner at such Owner’s address as it appears on the applicable registration books
16 as of the Record Date; provided, however, if any interest payment date occurs on a day that
17 banks in California or New York are closed for business or the New York Stock Exchange is
18 closed for business, then such payment shall be made on the next succeeding day that banks
19 in both California and New York are open for business and the New York Stock Exchange is
20 open for business (each, a “Business Day”); and provided, further, that the Registered Owner
21 of an aggregate principal amount of at least \$1,000,000 of a Series of Bonds may submit a
22 written request to the City Treasurer on or before a Record Date preceding an interest
23 payment date for payment of interest by wire transfer to a commercial bank located within the
24 United States of America. For so long as any Series of Bonds are held in book-entry form by
25 a securities depository selected by the City pursuant to Section 15(b) hereof, payment shall

1 be made to the Registered Owner of the Series of Bonds designated by such securities
2 depository by wire transfer of immediately available funds.

3 (b) Optional Redemption. Each Series of Bonds shall be subject to optional
4 redemption prior to maturity as provided in the applicable Official Notice of Sale or the
5 applicable Bond Award or the applicable Bond Purchase Contract.

6 (c) Sinking Fund Redemption. Each Series of Bonds shall be subject to mandatory
7 redemption at par, by lot, in any year for which the purchaser thereof has designated that the
8 principal amount payable with respect to that year shall constitute a mandatory sinking fund
9 payment, as and to the extent permitted by the applicable Official Notice of Sale or provided in
10 the applicable Bond Purchase Contract. Any Series of Bonds subject to mandatory
11 redemption shall be designated as such in the applicable Official Notice of Sale or the
12 applicable Bond Award or the applicable Bond Purchase Contract.

13 The principal of and interest on each Series of Bonds subject to mandatory redemption
14 shall be paid from the Bond Fund for such Series (as defined in Section 10 hereof), pursuant
15 to Section 10 hereof. In lieu of any such mandatory redemption for any Series of Bonds, at
16 any time prior to the selection of such Series of Bonds for mandatory redemption, the City
17 may apply such amounts on deposit in the Bond Fund for such Series to purchase such
18 Series of Bonds subject to such redemption at public or private sale, as and when and at such
19 prices not in excess of the principal amount thereof (including sales commission and other
20 charges but excluding accrued interest), as the City may determine.

21 (d) Redemption - Selection. Whenever less than all of the Outstanding Bonds (as
22 defined in Section 8(i) hereof) of a Series maturing on any one date are called for redemption
23 on any one date, the City Treasurer will select the Bonds of such Series or portions thereof, in
24 denominations of \$5,000 or any integral multiple thereof, to be redeemed from the
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1 Outstanding Bonds of such Series maturing on such date not previously selected for
2 redemption, by lot in any manner which the City Treasurer deems fair.

3 The date on which the Bonds of a Series that are called for redemption are to be
4 presented for redemption is herein called the "Redemption Date."

5 (e) Redemption - Notice. The City Treasurer shall mail, or cause to be mailed,
6 notice of any redemption of each Series of Bonds, postage prepaid, to the respective
7 Registered Owner thereof at the addresses appearing on the applicable bond registration
8 books not less than twenty (20) days prior to the Redemption Date. The notice of redemption
9 shall: (i) state the Redemption Date; (ii) state the redemption price; (iii) state the maturity
10 dates of such Series of Bonds and, if less than all of any such maturity is called for
11 redemption, the distinctive numbers of such Series of such maturity to be redeemed, and in
12 the case of any Series of Bonds redeemed in part only, the respective portions of the principal
13 amount thereof to be redeemed; (iv) state the CUSIP number, if any, of each Series of Bonds
14 to be redeemed; (v) require that such Series of Bonds be surrendered by the Registered
15 Owner at the office of the City Treasurer or his or her agent; and (vi) give notice that interest
16 on such Series of Bonds will cease to accrue after the designated Redemption Date. Such
17 notice of redemption may be conditional as provided in Section 8(g).

18 Notice of such redemption also shall be given, or caused to be given, by the City
19 Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile
20 transmission or (iii) overnight delivery service, to (A) all organizations registered with the
21 Securities and Exchange Commission as securities depositories and (B) such other services
22 or organizations as may be required in accordance with the Continuing Disclosure Certificate
23 described in Section 22 hereof.

24 The notice or notices required for redemption shall be given by the City Treasurer, or
25 any agent appointed by the City. A certificate of the City Treasurer or such other appointed

1 agent of the City that notice of redemption has been given to the Registered Owner of any
2 Bond and any organization identified in (A) in prior paragraph in accordance with this
3 Resolution shall be conclusive against all parties.

4 Provided, however, the actual receipt by the Registered Owner of any Series of Bonds,
5 or by any organization identified in (A) in the second preceding paragraph, of notice of such
6 redemption shall not be a condition precedent to redemption, and failure to receive such
7 notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings
8 for the redemption of such Series of Bonds or the cessation of accrual of interest on such
9 Series of Bonds on the Redemption Date.

10 (f) Payment for Optional Redemption; Redemption Account. At the time the City
11 Treasurer or the Controller of the City, or his or her designee ("Controller"), determines to
12 optionally call and redeem any Series of Bonds, the City Treasurer or his or her agent shall
13 establish a redemption account to be described or known as the "General Obligation
14 Refunding Bonds, Series ____-R__ Redemption Account" ("Series ____-R__ Redemption
15 Account"), and prior to or on the Redemption Date there must be set aside in the Redemption
16 Account for such Series moneys available for the purpose and sufficient to redeem, as
17 provided in this Resolution, the Series of Bonds designated in said notice of redemption,
18 subject to rescission as hereinafter provided. Said moneys must be set aside in the
19 Redemption Account for such Series solely for the purpose of, and shall be applied on or after
20 the Redemption Date to, payment of the redemption price of such Series of Bonds to be
21 redeemed upon presentation and surrender of such Series of Bonds. Any interest due on or
22 prior to the Redemption Date may be paid from the Bond Fund for such Series as provided in
23 Section 10 hereof or from the Redemption Account for such Series. Subject to the provisions
24 of Section 13 hereof, moneys held from time to time in any Redemption Account may be
25 invested by the City Treasurer pursuant to the City's policies and guidelines for investment of

1 moneys in the General Fund of the City. If, after all of the Bonds of a Series have been
2 redeemed and canceled or paid and canceled, there are moneys remaining in the
3 Redemption Account for such Series, said moneys shall be transferred to the Bond Fund of
4 the City established in Section 10 hereof.

5 When notice of optional redemption has been given, substantially as provided herein,
6 and when the amount necessary for the redemption of any Series of Bonds called for
7 redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set
8 aside for that purpose in the Redemption Account for said Series of Bonds, as provided
9 herein, the Bonds of such Series designated for redemption shall become due and payable on
10 the Redemption Date therefor, and upon presentation and surrender of said Series of Bonds
11 at the place specified in the notice of redemption, said Series of Bonds shall be redeemed and
12 paid at said redemption price out of the Redemption Account for said Series; provided no
13 interest will accrue on said Series of Bonds called for redemption after the Redemption Date
14 and the Registered Owner of such Bonds shall look for payment of such Bonds only to the
15 Redemption Account for such Series of Bonds. All Series of Bonds redeemed shall be
16 canceled forthwith by the City Treasurer and shall not be reissued.

17 (g) Conditional Notice of Optional Redemption. Any notice of optional redemption
18 given as provided in Section 8(e) may provide that such redemption is conditioned upon: (i)
19 deposit in the Redemption Account of the applicable Series of Bonds of sufficient moneys to
20 redeem such Bonds called for redemption on the anticipated Redemption Date, or (ii) any
21 other event specified in the notice of redemption. In the event that (A) such conditional notice
22 of optional redemption has been given, substantially as provided herein and (B) on the
23 scheduled Redemption Date (I) sufficient moneys to redeem the applicable Series of Bonds
24 have not been deposited in the Redemption Account for such Series of Bonds, or (II) any
25 other event specified in the notice of redemption did not occur, then such Series of Bonds for

1 which notice of conditional optional redemption was given shall not be redeemed and shall
2 remain Outstanding for all purposes of this Resolution and the redemption not occurring shall
3 not constitute an event of default under this Resolution.

4 (h) Rescission of Optional Redemption. The City may also rescind any optional
5 redemption and notice thereof for any reason on any date prior to any Redemption Date by
6 causing written notice of the rescission to be given to the Registered Owner of all Series of
7 Bonds so called for redemption. Notice of such rescission of redemption shall be given in the
8 same manner notice of redemption was originally given. The actual receipt by the Registered
9 Owner of any Series of Bonds of notice of such rescission shall not be a condition precedent
10 to rescission, and failure to receive such notice or any defect in such notice so mailed shall
11 not affect the validity of the rescission.

12 (i) Definition of "Outstanding". As used herein, the term "Outstanding" means all
13 Bonds except:

14 (i) Bonds theretofore canceled by the City and the Treasurer or surrendered to the
15 Treasurer for cancellation;

16 (ii) Bonds paid or deemed to have been paid within the meaning of Section 13; and

17 (iii) Bonds in lieu of or in substitution for which other Bonds shall have been
18 executed, issued and delivered by the City and the Treasurer pursuant hereto.

19 Section 9. Tax Levy. For the purpose of paying the principal of and interest on each
20 Series of Bonds, the City at the time of fixing the general tax levy shall continue to fix, and in
21 the manner provided for such general tax levy, levy and collect taxes annually each year until
22 all Outstanding Bonds of each Series have been paid, or provision for their payment has been
23 made in accordance with Section 13 hereof; provided, however, that if the Board expects to
24 sell any Series of Bonds at such time that the principal of or interest on such Series of Bonds
25 will become due before the proceeds of a tax levied after such sale would be available to pay

1 such principal or interest, the City, at the time of fixing the annual tax levy, may levy a tax in
2 an amount sufficient to pay that portion of the principal of and interest on such Series of
3 Bonds which it expects will become due before the proceeds of the next succeeding tax levy
4 will be available.

5 Said tax shall be in addition to all other taxes levied for City purposes and shall be
6 collected at the same time and in the same manner as other taxes of the City are collected.

7 Pursuant to the terms of this Resolution, the City hereby pledges as security for each
8 Series of Bonds and the interest thereon, and the Treasurer is hereby directed to deposit the
9 proceeds of the aforementioned tax into the Bond Fund for such Series established under
10 Section 10. Such fund or funds shall be kept separate and apart from all other funds. So long
11 as any Bonds of a Series are Outstanding, moneys in the related Bond Fund shall be used
12 solely for the purpose of paying the principal of and interest on such Series of Bonds as such
13 principal and interest shall become due and payable; provided, however, that when all of the
14 principal and interest on all such Series of Bonds has been paid or provided for, any balance
15 of money then remaining in said Bond Fund shall be transferred to the General Fund of the
16 City. In addition, payment of such principal and interest shall be secured by the statutory lien
17 of California Government Code, Section 53515, to the extent applicable to the amounts on
18 deposit in the Bond Fund.

19 Section 10. Establishment and Application of the Bond Fund for Each Series. (a)

20 There is hereby established in trust for each Series of Bonds a special fund designated
21 "General Obligation Refunding Bonds, Series _____-R__ Bond Fund" ("Series _____-R____
22 Bond Fund"), which will be held by the Treasurer and shall be kept separate and apart from all
23 other funds and accounts held hereunder.

24 All taxes levied pursuant to this Resolution for payment of a Series of Bonds shall be
25 deposited upon collection by the City into the Bond Fund for such Series of Bonds, and used

1 for the payment of the principal of, premium, if any, and interest on, such Series of Bonds
2 (collectively, the "Debt Service"). On or prior to the date on which any Debt Service on each
3 Series of Bonds is due, including by mandatory redemption on said date, the City Treasurer
4 shall transfer from the Bond Fund for such Series the amount necessary to pay the Debt
5 Service on the applicable Series of Bonds on such date.

6 (b) On or prior to the date on which any Series of Bonds are to be redeemed at the
7 option of the City pursuant to this Resolution, the City Treasurer shall allocate to and deposit
8 in the Redemption Account for such Series, from amounts held in the Bond Fund, an amount
9 which, when added to any available moneys contained in such Redemption Account, is
10 sufficient to pay Debt Service with respect to such Series of Bonds on such redemption date.

11 The City Treasurer may make such other provisions for the payment of Debt Service
12 on any Series of Bonds as is necessary or convenient to permit payment, including the
13 optional redemption, of any Series of Bonds.

14 (c) Amounts in any Bond Fund may be invested in any investment of the City in
15 which moneys in the General Fund of the City are invested. The City Treasurer may
16 commingle any of the moneys held in the any Bond Fund with other City moneys for
17 investment purposes only; provided, however, that all of the moneys held in each Bond Fund
18 established hereunder shall be accounted for separately notwithstanding any such
19 commingling by the City Treasurer.

20 (d) Any amounts on deposit in any Bond Fund when there are no longer any related
21 Series of Bonds Outstanding shall be transferred to the General Fund, subject to any
22 conditions set forth in the tax certificate for such Series.

23 (e) If at any time it is deemed necessary or desirable by the City, the Treasurer may
24 establish additional funds under this Resolution and/or accounts within any of the funds or
25 accounts established hereunder.

1 Section 11. Establishment and Application of the Rebate Fund for Each Series. There
2 is hereby established in trust for each Series of Bonds a special fund designated “General
3 Obligation Refunding Bonds, Series ____-R___ Rebate Fund” (“Series ____ R___ Rebate
4 Fund”), which shall be held by the Treasurer and which shall be kept separate and apart from
5 all other funds and accounts held hereunder. The Treasurer shall deposit moneys into each
6 Rebate Fund in accordance with the provisions of the tax certificate for the related Series of
7 Bonds. Amounts on deposit in the Rebate Fund shall only be applied to payments made to
8 the United States or otherwise transferred to other accounts or funds established hereunder,
9 in accordance with the tax certificate for the related Series of Bonds.

10 Section 12. Establishment and Application of Costs of Issuance Fund for Each Series.
11 There is hereby established in trust for each Series of Bonds a special fund designated
12 “General Obligation Refunding Bonds, Series ____-R___ Costs of Issuance Fund” (“Series
13 ____-R___ Costs of Issuance Fund”), to be maintained by the Treasurer and which shall be
14 kept separate and apart from all other funds and accounts held hereunder.

15 The portion of the proceeds of the sale of each Series of Bonds, which is so specified
16 by the Controller, shall be deposited by the Treasurer to the credit of the Costs of Issuance
17 Fund for each Series of Bonds.

18 The City Treasurer is hereby authorized to pay or cause to be paid from the Cost of
19 Issuance Fund for each Series, on behalf of the City, the costs of issuance associated with
20 such Series of Bonds. Costs of issuance of any Series of Bonds shall include, without
21 limitation: bond and financial printing expenses, mailing and publication expenses, rating
22 agency fees, the fees and expenses of paying agents, registrars, financial consultants, escrow
23 agents, verification agents, all expenses incident to the calling, retiring or paying of the Prior
24 Bonds to be refunded by such Series, disclosure counsel and co-bond counsel and the
25 reimbursement of departmental expenses in connection with the issuance of such Series of

1 Bonds.

2 All moneys on deposit in the Costs of Issuance Fund twelve months after issuance of
3 the applicable Series of Bonds shall be transferred to the applicable Bond Fund and applied to
4 pay interest on the applicable Series of Bonds; provided that the Treasurer first shall receive a
5 certificate of the Director of Public Finance consenting to such transfer.

6 Section 13. Defeasance Provisions for Each Series. (a) Payment of all or any portion
7 of each Series of Bonds may be provided for prior to such Series of Bonds' respective stated
8 maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust
9 company designated by the City Treasurer to act as escrow agent with respect thereto):

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

17 (ii) Defeasance Securities (as defined in (b) below) not subject to call, except as
18 provided below in the definition thereof, maturing and paying interest at such times and in
19 such amounts, together with interest earnings and cash, if any, as will, without reinvestment,
20 as certified by an independent certified public accountant to be sufficient to pay the principal
21 and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and
22 premium, if any, due on the portion of the Series of Bonds to be paid or redeemed, as such
23 principal, premium, if any, and interest come due; provided, that, in the case of a Series of
24 Bonds that are to be redeemed prior to maturity, notice of such redemption shall be given as
25 provided in Section 8 hereof or an irrevocable election to give such notice shall have been

1 made by the City.

2 Upon the deposit described in (i) or (ii), all obligations of the City with respect to said
3 Series of Bonds shall cease and terminate, except only the obligation of the City to pay or
4 cause to be paid from the funds deposited pursuant to paragraphs (i) or (ii) of this Section 13
5 to the Registered Owners of such Series of Bonds all sums due with respect thereto and the
6 obligations of the City pursuant to Section 21 hereof; provided, that the City shall have
7 received an opinion of nationally recognized bond counsel that provision for the payment of
8 such Series of Bonds has been made in accordance with this Section 13.

9 (b) For purposes of this Section 13, "Defeasance Securities" shall mean any of the
10 following that at the time are legal investments under the laws of the State of California for the
11 moneys proposed to be invested therein:

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

13 (ii) Pre-refunded fixed interest rate municipal obligations meeting the following
14 conditions: (A) the municipal obligations are not subject to redemption prior to maturity, or the
15 trustee or paying agent thereof has been given irrevocable instructions concerning their
16 calling and redemption and the issuer has covenanted not to redeem such obligations other
17 than as set forth in such instructions; (B) the municipal obligations are secured by cash or
18 United States Obligations; (C) the principal of and interest on the United States Obligations
19 (plus any cash) in the escrow fund for such municipal obligation are sufficient to meet the
20 liabilities of the municipal obligations; (D) the United States Obligations serving as security for
21 the municipal obligations are held by a trustee or other escrow agent; (E) the United States
22 Obligations are not available to satisfy any other claims, including those against the trustee or
23 escrow agent; and (F) the municipal obligations are rated (without regard to any numerical
24 modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow
25 fund for the Prior Bonds to be refunded, by any two Rating Agencies (as defined below) not

1 lower than the rating then maintained by the respective Rating Agency on such United States
2 Obligations.

3 For purposes of this Section 13, "United States Obligations" shall mean (i) direct and
4 general obligations of the United States of America, or obligations that are unconditionally
5 guaranteed as to principal and interest by the United States of America, including without
6 limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that
7 have been stripped by request to the Federal Reserve Bank of New York in book-entry form,
8 or (ii) any security issued by an agency or instrumentality of the United States of America
9 which is selected by the Director of Public Finance and which is rated (without regard to any
10 numerical modifier, plus or minus sign or other modifier), at the time of initial deposit to the
11 escrow fund for the Prior Bonds to be refunded, and upon any substitution or subsequent
12 deposit to such escrow fund, by any two Rating Agencies not lower than the rating then
13 maintained by the respective Rating Agency on United States Obligations described in (i) of
14 this definition.

15 For purposes of this Section 13, "Rating Agencies" shall mean Moody's Investors
16 Service, Inc., Fitch Ratings, and S&P Global Ratings, or any other nationally recognized bond
17 rating agency that is the successor to any of the foregoing rating agencies or that is otherwise
18 established after the date hereof.

19 Section 14. Escrow Agreement for Refunded Prior Bonds. The form of Escrow
20 Agreement ("Escrow Agreement"), in substantially the form presented to this Board, copies of
21 which are on file with the Clerk of the Board and by this reference incorporated herein, is
22 hereby approved. The Controller or the Director of Public Finance is hereby authorized and
23 directed to execute and deliver an Escrow Agreement(s) for each Series or multiple Series of
24 Bonds in substantially such form, with such changes, additions, amendments or modifications
25 made in accordance with Section 24 hereof.

1 A portion of the proceeds of the sale of each Series of Bonds, which is so specified by
2 the Controller, shall be deposited by the Treasurer to the credit of the Escrow Agreement(s)
3 for each Series of Bonds to be applied to the redemption of the Prior Bonds to be redeemed
4 by such Series. Such money so deposited shall constitute the “refunding fund” within the
5 meaning of Section 53555 of the California Government Code.

6 The Controller or Director of Public Finance is hereby authorized and directed,
7 pursuant to the Escrow Agreement applicable to the Prior Bonds being refunded, to provide
8 for the investment of the funds deposited under the Escrow Agreement, which deposits shall
9 be secured in accordance to the law applicable to the investment of City funds.

10 Section 15. Appointment of Verification Agents, Securities Depositories, Paying
11 Agents and Other Agents.

12 (a) The Director of Public Finance is hereby authorized and directed to appoint and
13 compensate, from time to time, one or more verification agents as he or she may deem
14 necessary or desirable to certify that the proceeds of a Series of Bonds are sufficient to satisfy
15 the requirements of Section 53558 of the California Government Code with respect to the
16 Prior Bonds to be redeemed by such Series of Bonds. Such verification agents shall serve
17 under such terms and conditions as the Director of Public Finance shall determine. The
18 Director of Public Finance may remove or replace verification agents appointed pursuant to
19 this Section at any time.

20 (b) The Depository Trust Company (“DTC”) is hereby appointed as securities
21 depository for each Series of Bonds. Each Series of Bonds shall be initially issued only in
22 book-entry form. Upon initial issuance, the ownership of each Series of Bonds shall be
23 registered in the bond registration books in the name of Cede & Co., or such other nominee
24 as DTC may in writing direct the Treasurer. So long as each Series of Bonds is registered in
25 book-entry form, each such Series of Bonds shall be registered in the name of Cede & Co. or

1 such other nominee as DTC may direct in writing. The City will not have any responsibility or
2 obligation to any purchaser of a beneficial ownership interest in any Series of Bonds or to any
3 participants in DTC, or to any successor securities depository appointed by the City, with
4 respect to: (i) the accuracy of any records maintained by such securities depository or any
5 participant therein; (ii) any notice that is permitted or required to be given to the Registered
6 Owner of such Series of Bonds under this Resolution; (iii) the selection by such securities
7 depository or any participant therein of any person to receive payment in the event of a partial
8 redemption of such Series of Bonds; (iv) the payment by such securities depository or any
9 participant therein of any amount with respect to the principal or redemption premium, if any,
10 or interest due with respect to such Series of Bonds; (v) any consent given or other action
11 taken by such securities depository as the Registered Owner of such Series of Bonds; or (vi)
12 any other matter.

13 (c) The City Treasurer is hereby also authorized to appoint one or more agents, as
14 he or she may deem necessary or desirable. To the extent permitted by applicable law and
15 under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal
16 agent, rebate calculation agent, escrow agent or registrar for any Series of Bonds, or may
17 assist the City Treasurer in performing any or all of such functions and such other duties as
18 the City Treasurer shall determine. If the City Treasurer appoints one or more paying agents
19 or registrars, the procedures set forth in Section 8 hereof relating to registration of ownership
20 of each Series of Bonds and payments and redemption notices to Registered Owner of each
21 Series of Bonds may be modified to comply with the policies and procedures of such paying
22 agent or registrar. Such agents shall serve under such terms and conditions as the City
23 Treasurer shall determine. The City Treasurer may remove or replace agents appointed
24 pursuant to this Section at any time.

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1 Section 16. Competitive Sale and Award of Bonds. In the event the Director of Public
2 Finance determines to sell any Series of Bonds by competitive sale,

3 (a) the Director of Public Finance is hereby authorized and directed (i) to determine
4 a date for such sale, and (ii) on behalf of the Controller, to receive bids for the purchase of
5 such Series of Bonds, and

6 (b) the Controller is hereby authorized and directed to award such Series of Bonds
7 as provided in Section 17 hereof.

8 Section 17. Official Notices of Sale. The form of proposed Official Notice of Sale
9 inviting competitive bids for the purchase of a Series of Bonds (“Official Notice of Sale”), in
10 substantially the form presented to this Board, copies of which are on file with the Clerk of the
11 Board and by this reference incorporated herein, is hereby approved and adopted as the
12 Official Notice of Sale inviting bids for the purchase of Series of Bonds, with such changes,
13 additions and modifications as may be made in accordance with Section 24 hereof.

14 In the event of a competitive sale of any Series of Bonds, bids shall be received on the
15 date designated by the Director of Public Finance pursuant to the applicable Official Notice of
16 Sale. The Director of Public Finance is hereby authorized and directed to cause to be mailed
17 or otherwise circulated to prospective bidders for each Series of Bonds copies of the
18 applicable Official Notice of Sale, subject to such corrections, revisions or additions as may be
19 acceptable to the Director of Public Finance.

20 The Controller is hereby authorized to award each Series of Bonds to the bidder whose
21 bid represents the lowest true interest cost to the City, all in accordance with the procedures
22 described in the applicable Official Notice of Sale, which award shall be set forth in a
23 certificate signed by the Controller setting forth the terms of the applicable Series of Bonds
24 and the original purchaser thereof (each, a “Bond Award”). The Controller shall provide a
25 copy of each Bond Award as soon as practicable to the Clerk of the Board of Supervisors and

1 the Director of Public Finance; provided, however, that failure to provide such copies shall not
2 affect the validity of any Bond Award.

3 Section 18. Publication of Notice of Intention to Sell Bonds. The form of proposed
4 Notice of Intention to Sell a Series of Bonds (“Notice of Intention to Sell Bonds”), in
5 substantially the form presented to this Board, copies of which are on file with the Clerk of the
6 Board and by this reference incorporated herein, is hereby approved and adopted as the
7 Notice of Intention to Sell. The Director of Public Finance is hereby authorized and directed to
8 cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions
9 as may be made in accordance with Section 24 hereof, to be published once in *The Bond*
10 *Buyer* or another financial publication generally circulated throughout the State of California
11 meeting the requirements of Section 53692 of the Government Code at least five (5) days
12 before the date of such competitive sale (or by such other deadline as may be specified by
13 applicable law).

14 Section 19. Negotiated Sale of Bonds; Approval of Purchase Contract; Selection of
15 Underwriters. In the event the Director of Public Finance determines to sell any Series of
16 Bonds by negotiated sale, the Director of Public Finance is hereby authorized and directed to
17 sell such Series of Bonds by negotiated sale pursuant to one or more purchase contracts
18 (each, a “Purchase Contract”) by and between the City and the underwriter named therein.
19 The form of such Purchase Contract as presented to this Board, a copy of which is on file with
20 the Clerk, is hereby approved. The Controller is hereby authorized to execute the Purchase
21 Contract with such charges, additions and modifications as the Controller may make or
22 approve in accordance with Section 24 hereof.

23 Section 20. Official Statements.

24 (a) The form of proposed Preliminary Official Statement describing the Series 2020-
25 R1 Bonds including all appendices (“Preliminary Official Statement”) submitted to the Board,

1 in substantially the form presented to this Board, copies of which are on file with the Clerk of
2 the Board and by this reference incorporated herein, is hereby approved and adopted as the
3 Preliminary Official Statement for the Series 2020-R1 Bonds, with such additions, corrections
4 and revisions as may be determined by the Controller to be necessary or desirable. The
5 Controller is hereby authorized to deem final the Preliminary Official Statement for purposes
6 of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities
7 Exchange Act of 1934, as amended ("Rule"), and to sign a certificate to that effect. The
8 Director of Public Finance is hereby authorized and directed to cause to be printed and mailed
9 or electronically distributed to prospective bidders for the Series 2020-R1 Bonds copies of the
10 Preliminary Official Statement deemed final by the Controller. The Controller is authorized
11 and directed to approve, execute, and deliver the final Official Statement with respect to the
12 Series 2020-R1 Bonds, which final Official Statement shall be in the form of the deemed final
13 Preliminary Official Statement, with such additions, corrections and revisions as may be
14 determined to be necessary or desirable made in accordance with Section 24 hereof and as
15 are permitted under the Rule. The Director of Public Finance is hereby authorized and
16 directed to cause to be printed and mailed or electronically distributed copies of the final
17 Official Statement to all actual initial purchasers of the Series 2020-R1 Bonds.

18 (b) The Controller is hereby authorized and directed, in consultation with the City
19 Attorney, to prepare a Preliminary Official Statement for each Series of Bonds issued
20 subsequent to the Series 2020-R1 Bonds. The Preliminary Official Statement and the final
21 Official Statement for such subsequent Series of Bonds shall be approved in accordance with
22 City procedures applicable at the time such Preliminary Official Statement and final Official
23 Statement are approved.

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25 ///

1 Section 21. Tax Covenants.

2 (a) General. The City hereby covenants with the Registered Owners of each Series
3 of the Bonds that, notwithstanding any other provisions of this Resolution, it shall not take any
4 action, or fail to take any action, if any such action or failure to take action would adversely
5 affect the exclusion from gross income of interest on such Series of Bonds under Section 103
6 of the Code, and the regulations of the United States Department of the Treasury issued
7 thereunder ("Regulations"), as the same may be amended from time to time, and any
8 successor provisions of law. Reference to a particular section of the Code shall be deemed to
9 be a reference to any successor to any such section. The City shall not, directly or indirectly,
10 use or permit the use of proceeds of any Series of Bonds or any of the property financed or
11 refinanced with proceeds of any Series of Bonds or any portion thereof, by any person other
12 than a governmental unit (as such term is used in Section 141 of the Code), in such manner
13 or to such extent as would result in the loss of exclusion of interest on any Series of Bonds
14 from gross income for federal income tax purposes.

15 (b) Use of Proceeds. The City shall not take any action, or fail to take any action, if
16 any such action or failure to take action would cause any Series of Bonds to be "private
17 activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof,
18 shall not make any use of the proceeds of any Series of Bonds or any of the property financed
19 or refinanced with proceeds of any Series of Bonds or any portion thereof, or any other funds
20 of the City, that would cause any Series of Bonds to be "private activity bonds" within the
21 meaning of Section 141 of the Code. To that end, so long as any Series of Bonds are unpaid,
22 the City, with respect to such proceeds and property and such other funds, will comply with
23 applicable requirements of the Code and all regulations of the United States Department of
24 the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954,
25 as amended ("1954 Code"), to the extent such requirements are, at the time, applicable and in

1 effect. The City shall establish reasonable procedures necessary to ensure continued
2 compliance with Section 141 of the Code (or, if applicable, the 1954 Code) and the continued
3 qualification of each of the Series of Bonds as “governmental bonds.”

4 (c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any
5 proceeds of any Series of Bonds, or of any property financed or refinanced thereby, or other
6 funds of the City, or take or omit to take any action, that would cause any Series of Bonds to
7 be “arbitrage bonds” within the meaning of Section 148 of the Code. To that end, the City
8 shall comply with all requirements of Section 148 of the Code and all Regulations to the extent
9 such requirements are, at the time, in effect and applicable to any Series of Bonds.

10 (d) Federal Guarantee. The City shall not make any use of the proceeds of any
11 Series of Bonds or any other funds of the City, or take or omit to take any other action, that
12 would cause any Series of Bonds to be “federally guaranteed” within the meaning of Section
13 149(b) of the Code.

14 (e) Information Reporting. The City shall take or cause to be taken all necessary
15 action to comply with the informational reporting requirement of Section 149(e) of the Code
16 with respect to each Series of Bonds.

17 (f) Hedge Bonds. The City shall not make any use of the proceeds of any Series of
18 Bonds or any other amounts or property, regardless of the source, or take any action or
19 refrain from taking any action, that would cause any Series of Bonds to be considered “hedge
20 bonds” within the meaning of Section 149(g) of the Code unless the City takes all necessary
21 action to assure compliance with the requirements of Section 149(g) of the Code.

22 (g) Compliance with Tax Certificates. In furtherance of the foregoing tax covenants
23 of this Section 21, the City covenants that it will comply with the provisions of each tax
24 certificate to be executed by the City with respect to each Series of Bonds, dated the date of
25 issuance of each Series of Bonds, as each such tax certificate may be amended from time to

1 time in accordance with its terms. This covenant shall survive payment in full or defeasance
2 of any Series of Bonds.

3 Section 22. Continuing Disclosure Certificate. The form of Continuing Disclosure
4 Certificate ("Continuing Disclosure Certificate") to be signed by the City to permit the original
5 purchasers of each Series of Bonds to comply with the Rule, submitted to the Board, in
6 substantially the form presented to this Board, copies of which are on file with the Clerk of the
7 Board and by this reference incorporated herein, is hereby approved and adopted as the
8 Continuing Disclosure Certificate, with such additions, corrections and revisions as may be
9 determined to be necessary or desirable to be made in accordance with Section 24 hereof,
10 including, without limitation, the use of a separate Continuing Disclosure Certificate for each
11 Series of Bonds. The Controller is hereby authorized and directed to execute the Continuing
12 Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to
13 the original purchasers of each Series of Bonds.

14 Section 23. Moneys Held in Trust. All amounts held in any fund or account
15 established hereunder (other than the Costs of Issuance Fund and the Rebate Fund), subject
16 to the limitations set forth herein, (a) are held in trust for the benefit of the Registered Owners
17 of the Series of Bonds secured thereby as provided herein; (b) are hereby irrevocably pledged
18 to the payment of the interest and premium, if any, and principal of the Series of Bonds
19 secured thereby as provided herein; and (c) such amounts shall not be used for any other
20 purpose while any of the Bonds of such Series remain Outstanding; provided, however, that
21 out of such amounts, there may be applied such sums for such purposes as are permitted
22 hereunder. This pledge shall constitute a first pledge of and charge and lien upon all moneys
23 on deposit in the funds and accounts established hereunder (other than the Costs of Issuance
24 Fund and the Rebate Fund) for the payment of the interest on and principal of the applicable
25 Series of Bonds in accordance with the terms hereof and thereof.

1 Section 24. Modification to Documents. Any City official authorized by this Resolution
2 to execute any document is hereby further authorized, in consultation with the City Attorney,
3 to approve and make such changes, additions, amendments or modifications to the document
4 or documents such official is authorized to execute as may be necessary or advisable
5 (provided that such changes, additions, amendments or modifications shall not authorize an
6 aggregate principal amount of Bonds in excess of \$1,482,995,000 or conflict with the
7 provisions of Section 4 hereof). The approval of any change, addition, amendment or
8 modification to any of the aforementioned documents shall be evidenced conclusively by the
9 execution and delivery of the document in question.

10 Section 25. Ratification. All actions heretofore taken by officials, employees and
11 agents of the City with respect to the sale and issuance of any Series of Bonds are hereby
12 approved, confirmed and ratified.

13 Section 26. General Authority; Sunset. The Clerk of the Board of Supervisors, the
14 Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller
15 are each hereby authorized and directed in the name and on behalf of the City: (a) to take
16 any and all actions and steps, and to (b) issue, deliver or enter into any and all certificates,
17 requisitions, agreements, notices, consents, and other documents, in each case as may be
18 necessary to give effect to the provisions of this Resolution, including but not limited to letters
19 of representations to any depository or depositories, which they or any of them might deem
20 necessary or appropriate in order to consummate the lawful issuance, sale and delivery of any
21 Series of Bonds and the refunding of the Prior Bonds. Any such actions are solely intended to
22 further the purposes of this Resolution, and are subject in all respects to the terms of this
23 Resolution. No such actions shall increase the risk to the City or require the City to spend any
24 resources not otherwise granted herein. Final versions of any such documents shall be
25 provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days

1 (or as soon thereafter as final documents are available) of execution by all parties.

2 Notwithstanding anything to the contrary, the authority to issue Bonds in the amounts and on
3 the terms contained in this Resolution shall expire on June 30, 2025.

4
5 APPROVED AS TO FORM:
6 DENNIS J. HERRERA
7 City Attorney

8
9 By: _____

10 Mark D. Blake
11 Deputy City Attorney

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1 **EXHIBIT A**

2 **LIST OF PRIOR BONDS**

3

4 Description of Issue <i>(Date of Authorization or Issuance)</i>	Series	Original Par Amount	Outstanding Par Amount	Refundable Par Amount ^[1]
5 Clean & Safe Neighborhood Parks <i>(2/5/2008)</i>	2012B ^[2]	\$73,355,000	\$45,285,000	\$42,425,000
	2016A	8,695,000	7,195,000	5,735,000
6 SF General Hospital & Trauma Center Earthquake Safety <i>(11/4/2008)</i>	2012D	251,100,000	147,770,000	121,115,000
	2014A	209,955,000	154,035,000	128,575,000
7 Earthquake Safety & Emergency Response Bond <i>(6/8/2010)</i>	2010E ^[2]	79,520,000	38,335,000	35,730,000
	2012A ^[2]	183,330,000	114,990,000	108,025,000
	2012E	38,265,000	28,380,000	23,260,000
	2013B	31,020,000	16,720,000	14,955,000
	2014C	54,950,000	40,095,000	34,045,000
2016C	25,215,000	21,435,000	17,190,000	
11 Road Repaving & Street Safety <i>(11/8/2011)</i>	2012C ^[2]	74,295,000	46,360,000	43,435,000
	2013C	129,560,000	69,785,000	62,425,000
	2016E	44,145,000	37,515,000	30,095,000
13 Clean & Safe Neighborhood Parks <i>(11/6/2012)</i>	2013A	71,970,000	38,780,000	34,690,000
	2016B	43,220,000	23,355,000	18,620,000
	2018A	76,710,000	44,855,000	35,400,000
15 Earthquake Safety & Emergency Response Bond <i>(6/3/2014)</i>	2014D	100,670,000	73,435,000	62,355,000
	2016D	109,595,000	72,305,000	58,000,000
	2018C	189,735,000	137,570,000	110,735,000
17 Transportation & Road Improvement <i>(11/4/2014)</i>	2015B	67,005,000	41,870,000	33,740,000
	2018B	174,445,000	102,010,000	80,505,000
19 Public Health & Safety Bond <i>(6/7/2016)</i>	2017A	173,120,000	116,925,000	90,670,000
	2018E	49,955,000	36,370,000	29,475,000
20 Refunding Bonds <i>(5/29/2008)</i>	2008-R1 ^[2]	232,075,000	3,480,000	3,480,000
21 Refunding Bonds <i>(11/30/2011)</i>	2011-R1	339,475,000	149,240,000	94,125,000
21 Refunding Bonds <i>(2/15/2015)</i>	2015-R1	293,910,000	234,310,000	164,190,000
22 TOTAL		\$3,125,290,000	\$1,842,405,000	\$1,482,995,000

23 [1] The Prior Bonds have optional call dates through and including 6/15/2024. The City currently has no general obligation bonds callable on 6/15/2025.

24 [2] Series of Prior Bonds currently anticipated to be refunded by the 2020-R1 Refunding Bonds.

1 EXHIBIT B

2 FORM OF SERIES ____-R BOND

3 Unless this Series _____-R Bond is presented by an authorized representative of The
4 Depository Trust Company, a New York corporation ("DTC"), to the City for registration of
5 transfer, exchange, or payment and any Series ____-R Bond issued is registered in the
6 name of Cede & Co. or in such other name as is requested by an authorized representative of
7 DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an
8 authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF
9 FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the
10 Registered Owner hereof, Cede & Co., has an interest herein.

11 Number UNITED STATES OF AMERICA Amount
12 _____ STATE OF CALIFORNIA \$ _____

14 CITY AND COUNTY OF SAN FRANCISCO
15 GENERAL OBLIGATION REFUNDING BONDS
16 SERIES ____-R ____

18 Interest Rate Maturity Date Dated Date CUSIP Number
19 June 15, _____

21 REGISTERED OWNER: _____

22 PRINCIPAL AMOUNT: \$ _____ (_____ DOLLARS)

23 THE CITY AND COUNTY OF SAN FRANCISCO, State of California ("City"),
24 acknowledges itself indebted to and promises to pay the registered owner set forth above or
25 registered assigns (the "Registered Owner"), on the Maturity Date set forth above the

1 Principal Amount set forth above in lawful money of the United States of America, and to pay
2 interest thereon in like lawful money from the interest payment date next preceding the date of
3 authentication of this Bond (unless this Bond is authenticated as of the day during the period
4 from the last day of the month next preceding any Interest Payment Date (the "Record Date")
5 to such Interest Payment Date, inclusive, in which event it shall bear interest from such
6 Interest Payment Date, or unless this Bond is authenticated on or before _____,
7 _____ in which event it shall bear interest from its dated date), until payment of such Principal
8 Amount, at the Interest Rate per annum set forth above, calculated on the basis of a 360-day
9 year comprised of twelve 30-day months, payable on _____, _____, and
10 semiannually thereafter on _____ and _____ in each year (each an
11 "Interest Payment Date"); provided, however, if any Interest Payment Date occurs on a day
12 that banks in California or New York are closed for business or the New York Stock Exchange
13 is closed for business, then such payment shall be made on the next succeeding day that
14 banks in both California and New York are open for business and the New York Stock
15 Exchange is open for business (a "Business Day").

16 The principal hereof is payable to the Registered Owner hereof upon the surrender
17 hereof at the office of the Treasurer of the City (the "City Treasurer") in San Francisco,
18 California. The interest hereon is payable to the person whose name appears on the bond
19 registration books of the City Treasurer as the Registered Owner hereof as of the close of
20 business on the Record Date immediately preceding an Interest Payment Date, whether or
21 not such day is a Business Day, such interest to be paid by check mailed on the Interest
22 Payment Date to such Registered Owner at such Owner's address as it appears on such
23 registration books; provided, however, that the Registered Owner of Bonds in an aggregate
24 principal amount of at least \$1,000,000 may submit a written request to the City Treasurer, on
25 or before the Record Date preceding any Interest Payment Date, for payment of interest

1 hereon by wire transfer to a commercial bank located in the United States of America.

2 This Bond is one of a duly authorized issue of bonds of like tenor (except for such
3 variations, if any, as may be required to designate varying numbers, denominations, interest
4 rates and maturities), in the aggregate principal amount of \$_____ (the "Series ____-
5 R___ Bonds"), and is authorized, issued and sold by the City pursuant to and in strict
6 conformity with the provisions of the Constitution and laws of the State of California including
7 Title 5, Division 2, Part 1, Chapter 3, Article 9 of the California Government Code, the Charter
8 of the City and the Administrative Code of the City. The Board of Supervisors of the City (the
9 "Board of Supervisors") authorize the issuance of this Series of Bonds in Resolution No. ____
10 adopted by the Board of Supervisors on _____, 2020 and signed by the Mayor on
11 _____, 2020 ("Resolution").

12 The Series ____-R___ Bonds are issuable as fully registered bonds without coupons
13 in the denominations of \$5,000 or any integral multiple thereof, provided that no Bond shall
14 have principal maturing on more than one principal maturity date. Subject to the limitations
15 and conditions and upon payment of the charges, if any, as provided in the Resolution, the
16 Series ____-R___ Bonds may be exchanged for a like aggregate principal amount of Bonds
17 of other authorized denominations of the same series, interest rate and maturity.

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

24 The Series ____-R___ Bonds maturing on or before June 15, 20__ are not subject
25 to redemption prior to maturity. The Series ____-R___ Bonds maturing on or after June 15,

20__ are subject to optional redemption prior to their respective maturities, 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 and after June 15, 20__, at redemption prices equal to _____% of the principal amount redeemed, together with accrued interest to the redemption date, without premium.

[The Series ____-R__ Bonds maturing on June 15, 20__, shall be subject to redemption prior to their respective maturity dates, in part, by lot, from mandatory sinking fund payments, 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) _____	Mandatory Sinking Fund Payment _____
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20__
 20__
 20__
 20__*

* Maturity]

Notice of redemption shall be given by mail not less than twenty (20) days prior to the redemption date to the Registered Owner thereof, but neither failure to receive any such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

1 Any notice of optional redemption may provide that such redemption is conditional
2 upon occurrence of a specified event, as provided in the Resolution. In the event that such
3 conditional notice of optional redemption has been given, and on the scheduled Redemption
4 Date such condition has not been satisfied, the Series _____-R___ Bonds for which notice of
5 conditional optional redemption was given shall not be redeemed and shall remain
6 Outstanding for all purposes of the Resolution and the redemption not occurring shall not
7 constitute an event of default under the Resolution.

8 The City may also rescind any optional redemption and notice thereof for any reason
9 on any date prior to any Redemption Date by causing written notice of the rescission to be
10 given to the Registered Owner of all Series _____-R___ Bonds so called for redemption.
11 Notice of such rescission of redemption shall be given in the same manner notice of
12 redemption was originally given. The actual receipt by the Registered Owner of any Series
13 _____-R___ Bond of notice of such rescission shall not be a condition precedent to
14 rescission, and failure to receive such notice or any defect in such notice so mailed shall not
15 affect the validity of the rescission.

16 If this Series _____-R___ Bond is called for redemption and payment is duly provided
17 therefore, interest shall cease to accrue hereon from and after the date fixed for redemption.

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

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

23 The Board of Supervisors hereby certifies and declares that: the total amount of
24 indebtedness of said City, including the amount of this Series _____-R___ Bond, is within the
25 limit provided by law; all acts, conditions and things required by the law to be done or

1 performed precedent to and in the issuance of this Series ____-R__ Bond have been done
2 and performed in strict conformity with the laws authorizing the issuance of this Series ____-
3 R__ Bond; this Series ____-R__ Bond is in the form prescribed by order of the Board of
4 Supervisors duly made and entered on its minutes; and the money for the payment of
5 principal of this Series ____-R__ Bond, and the payment of interest thereon, shall be raised
6 by taxation upon the taxable property of said City, as provided in the Resolution.

7 This Series ____-R__ Bond shall not be entitled to any benefit under the Resolution,
8 or become valid or obligatory for any purpose, until the Certificate of Authentication and
9 Registration hereon endorsed shall have been signed by the City Treasurer.

10 IN WITNESS WHEREOF the Board of Supervisors of the City and County of San
11 Francisco has caused this Series ____-R__ Bond to be executed by the Mayor of the City
12 and County of San Francisco, and to be countersigned by the Clerk of said Board, all as of
13 _____, 20__.

14
15 _____
16 Mayor of the City and
17 County of San Francisco

18 Countersigned:

19 _____
20 Clerk of the Board of Supervisors
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CERTIFICATE OF REGISTRATION AND AUTHENTICATION

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

Date of Authentication: _____, 20__.

TREASURER OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: _____

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LEGAL OPINION OF BOND COUNSEL

The following is a true copy of the text of the separate opinions rendered to the City by _____, and by _____, Co-Bond Counsel to the City, in connection with the original issuance of the Series ____-R___ Bonds. These opinions are dated as of and premised on the transcript of proceedings examined and the law in effect on the date of such original delivery of such Bonds. Signed copies are on file in the office of the Treasurer.

TREASURER OF THE CITY AND COUNTY OF SAN FRANCISCO

[Specimen Signature]

[OPINION OF CO-BOND COUNSEL TO BE INSERTED HERE]

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ASSIGNMENT

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

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

the within-mentioned registered Bond and hereby irrevocably constitute(s) and
appoint(s) _____ attorney, to transfer the same on the books of the City
Treasurer with full power of substitution in the premises.

<p>dated: _____</p>	<p>NOTE: The signature to this assignment must correspond with the name as written on the face of the within Bond in every particular, without enlargement or any change whatsoever.</p>
-------------------------	--

Signature Guaranty: _____

NOTE: Signature must be approved by a qualified guarantor.

_____ Tax ID Number: _____

<p>Items 1, 2 and 3 Files 20-0088, 20-0089 & 20-0038 <i>(Continued from February 12, 2020)</i></p>	<p>Department: Office of Public Finance</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p>	
<ul style="list-style-type: none"> ▪ File 20-0089 is a resolution approving the City’s Debt Policy, as recommended by the Controller’s Office of Public Finance. ▪ File 20-0088 is a resolution authorizing the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the amount of \$255,000,000. ▪ File 20-0038 is an ordinance appropriating up to \$255 million in bond proceeds for refunding bonds, as authorized in File 20-0088. 	
<p>Key Points</p>	
<ul style="list-style-type: none"> ▪ File 20-0089 revises the City’s Debt Policy to conform to Security and Exchange Commission rules regarding a municipality’s disclosure policies to bond holders and potential investors. ▪ File 20-0088 authorizes the Office of Public Finance to issue refunding bonds of up to \$1,482,995,000 to refund outstanding general obligation bonds. The refunding bonds could be issued in multiple series through June 30, 2025; the first series authorized by the proposed resolution would be \$225,000,000 to be sold in the spring of 2020. Future issuances would be subject to Board of Supervisors approval. 	
<p>Fiscal Impact</p>	
<ul style="list-style-type: none"> ▪ Estimated debt service savings from the issuance of \$255,000,000 in refunding bonds is \$31.64 million. 	
<p>Recommendations</p>	
<ul style="list-style-type: none"> ▪ Amend Resolution 20-0089 to state: “The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in federal or state law or regulatory guidance, changes in best practices, or as otherwise recommended by the City’s municipal advisors as are necessary or desirable; provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change.” ▪ Amend File 20-0088, Section 4(c)(i) to state: “The City’s current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.” ▪ Amend File 20-0088, Section 4(c)(ii) to add: “The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), <u>as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code</u>”. ▪ Approve File 20-0088 as amended and File 20-0089 as amended. ▪ Approve File 20-0038. 	

MANDATE STATEMENT

File 20-0089: California Code Section 8855 requires that local governments certify 30 days prior to the sale of any bonds that it has adopted debt policies.

File 20-0088: City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

File 20-0038: City Administrative Code section 3.15 requires Board of Supervisors approval for supplemental appropriation ordinances.

BACKGROUND

The City's Debt Policy

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City's Debt Policy as recommended by the Controller's Office of Public Finance in January 2019 (File 18-1227).

DETAILS OF PROPOSED LEGISLATION

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

- **File 20-0089:** The proposed resolution approves the City's Debt Policy, as recommended by the Controller's Office of Public Finance.
- **File 20-0088:** The proposed resolution authorizes the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the not-to-exceed amount of \$255,000,000.
- **File 20-0038:** The proposed ordinance appropriates \$255,000,000 of the refunding bond series to be sold in 2020.

File 20-0089: The proposed changes to the City's Debt Policy include:

Change to Negotiated Sales Provision

Currently, the Debt Policy authorizes the Director of Public Finance in consultation with the Controller to determine if new money and refunding bonds may be issued through a negotiated rather than a competitive sale under the following conditions: (1) deterioration in the City's credit rating or outlook; (2) market disruptions outside of the City's control, including new or proposed changes in taxation or sector risks; and (3) transactions consisting of variable rate debt, commercial paper, non-traditional debt structure, or public/private partnerships.

Under the proposed Debt Policy, the City's municipal advisor(s) would also be included in the consultation of when new or refunding bonds may be issued through a negotiated sale. In

addition, “complex refunding” would be added as a transaction that may be issued through a negotiated sale.

Changes to Disclosure Provisions

Appendix I of the Debt Policy details the City’s Municipal Finance Disclosure Policies and Procedures. The changes to Appendix I are required to conform with recent changes to Security and Exchange Commission (SEC) Rule 15c2-12, regarding a municipality’s disclosure policies to bond holders and potential investors. The changes pertain primarily to the Disclosure Practice Working Group, and outline in specific detail the City’s procedures and guidelines surrounding its obligation to disclose (1) certain listed events that could impact credit rating, credit quality, and default probability; (2) changes in financial and economic circumstances that affect repayment capacity; and (3) any changes in the rights of bond holders that could expose owners to increased risk and financial liability. Such events or changes will need to be disclosed electronically within 10 business days and made public to investors through a disclosure announcement that will be posted on the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Other proposed changes to Appendix I include:

- Providing for the Office of Public Finance to develop additional disclosures for bonds issued by Community Facilities Districts or Infrastructure Financing Districts or Special Assessment Districts, and for Green Bonds, unrelated to federal and state security laws; and
- Provisions (1) for disclosure documents for issuers of conduit financing (such as multi-family revenue bonds) to indemnify the City against untrue statements in the disclosure documents; and (2) for offering statements to contain disclaimers that the information supplied by the City is limited.

File 20-0088: The proposed resolution authorizes the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the not-to-exceed amount of \$255,000,000.

The proposed resolution approves actions and documents (including modifications) for the issuance of the refunding bonds, including:

- The form and terms of the refunding bonds; and execution, authentication, and registration of the refunding bonds;
- Appointment of depositories, verification agents, and other agents for the refunding bonds;
- The property tax levy for repayment of the refunding bonds;
- Procedures for the competitive or negotiated sales, including the forms of the Official Notice of Sale and Notice of Intention to Sale, and the selection of underwriters and the execution and delivery of bond purchase contracts;

- The execution, delivery, or distribution of continuing disclosure certificates, escrow agreements relating to the prior general obligation bonds, and Preliminary Official Statement and Official Statement for sale of refunding bonds in an amount not-to-exceed \$255 million; and
- Payment of costs of issuance.

Terms of Refunding Bonds

As noted above, the proposed resolution would authorize the sale of the first series of refunding bonds in 2020 in an amount not-to-exceed \$255 million. Future sales would be subject to Board of Supervisors approval. The terms for the sale of refunding bonds include:

- Debt service on the refunding bonds should result in present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds;
- True interest cost of the refunding bonds should not exceed 12 percent;¹
- The maturity date of the refunding bonds is no later than the maturity date of the prior general obligation bonds;
- Costs of issuance of the refunding bonds does not exceed 2 percent of the principal amount of the bonds;
- The purchase price of the refunding bonds is not less than the par amount of the bonds;
- If the refunding bonds are sold through a negotiated sale, the underwriter's discount² cannot exceed 1 percent; and
- If the refunding bonds are sold using credit enhancements (such as bond insurance or letters of credit), the present value savings of using the credit enhancements must exceed the cost of the credit enhancements.

Under the proposed resolution, the Director of Public Finance determines the amount, date, and other provisions for the future sale of refunding bonds, up to the authorized amount of \$1,482,995,000. As noted above, future sales of refunding bonds would be subject to Board of Supervisors approval.

In order to clarify the intent of the proposed resolution (File 20-0088):

- Section 4(c)(i), which provides for present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds, should be revised to state: "The City's current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series

¹ "True interest cost" is the rate that sets the present value of principal and interest payments equal to the net proceeds from the bond issuance.

² The "underwriter's discount" is the difference between the price paid to the issuer of the bonds and the price at which the bonds are offered for sale to investors.

of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.”

- Section 4(c)(ii), which provides for the true interest cost of the refunding bonds, should be revised to add: “as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code.”

Outstanding General Obligation Bonds

The City previously issued series of general obligation bonds totaling \$3,125,290,000 between 2008 and 2018 which contain principal maturities that are currently outstanding and could be optionally redeemed before June 15, 2025, as authorized by File 20-0088, of which \$1,842,405,000 is outstanding, as shown in the Attachment. The proposed ordinance would authorize refunding of \$1,482,995,000 of the outstanding balance of \$1,842,405,000.

FISCAL IMPACT

The Office of Public Finance has identified \$233,095,000 in outstanding general obligation bonds to be refunded by a maximum par of \$255,000,000 in refunding bonds to be sold in 2020, as shown in Exhibit 1 below.

Exhibit 1: Series 2020-R1 General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Refundable Par Amount
Refunding Series 2008-R1	\$232,075,000	\$3,480,000
Series 2010 E (Earthquake Safety and Emergency Response, 2010)	79,520,000	35,730,000
Series 2012A (Earthquake Safety and Emergency Response, 2010)	183,330,000	108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	73,355,000	42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	74,295,000	43,435,000
Total	\$642,575,000	\$233,095,000

Source: Office of Public Finance

File 20-0038 is an ordinance that would appropriate up to \$255 million in bond proceeds, shown in Exhibit 2 below. According to the Office of Public Finance, total estimated bond proceeds are \$238.0 million, including the estimated par amount of refunding bonds of \$198.9 million and a premium paid by investors of \$39.1 million above the par amount³, as shown in Exhibit 2 below.

According to the Office of Public Finance, the estimated amount to be refunded is \$236.8 million, which includes \$233.1 million in principle balance (see Exhibit 1 above) and \$3.7 million in interest accrual prior to the refunding of the bonds. Issuance costs of \$1.2 million result in total bond uses of \$238.0 million, as shown in Exhibit 2 below.

The variance between estimated bond sources and uses of \$238.0 million and the appropriation amount of \$255.0 million are to provide a reserve for market uncertainty and potential interest rate changes.

³ A premium bond trades above the face value of the bond. Investors may pay a premium if the fixed interest rate is expected to be higher than the market interest rate over the term of the bond.

Exhibit 2: Estimated Source & Uses of 2020 Refunding Bonds

Sources	Appropriation (File 20-0038)	Estimated Actuals
<i>Refunding Bond Proceeds</i>		
Par Amount		\$198,925,000
Premium		39,099,597
Total Sources	\$255,000,000	\$238,024,597
Uses		
Refunding Escrow	\$253,219,913	\$236,800,136
<i>Delivery Date Expenses</i>		
Cost of Issuance	951,337	905,805
Underwriter's Discount	<u>828,750</u>	<u>318,656</u>
Subtotal Delivery Date Expenses	1,780,087	1,224,416
Total Uses	\$255,000,000	\$238,024,597
Reserve for Market Uncertainty	\$0	16,975,403
Not-to-Exceed Par Amount	\$255,000,000	\$255,000,000

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

Debt Service Savings

According to the Office of Public Finance, based on bond market conditions as of January 24, 2020, the City could issue Series 2020-R1 tax-exempt refunding bonds in the Spring of 2020 in order to realize savings. Based on current market conditions, the Office of Public Finance estimates that the Series 2020-R1 refunding bonds will be sold at an interest rate of 2.19 percent and result in \$31.64 million in total debt service savings.

The proposed resolution requires refunding bonds to achieve 3 percent present value savings of the par value of the refunded bonds. The net present value of the debt service savings of the proposed refunding bonds is estimated to be \$26.83 million, equal to 11.51 percent of the par value of the refunded bonds⁴, well above the 3 percent minimum present value savings threshold.

Debt Issuance Costs

The proposed resolution requires the costs of issuance to not exceed 2 percent, and for a negotiated sale, the underwriter's discount to not exceed 1 percent of the principal amount of the refunding bonds. The combined cost of issuance and underwriters discount is estimated at \$1,224,461, which is less than 1 percent of the principal amount, below the threshold in the proposed resolution. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because of the series to be refunded includes multiple separate series with different initial origination dates, and multiple interest rates payable over time on each of the refunded series.

³ According to the Office of Public Finance's calculations, the present value of debt service savings of \$26,826,167 is equal to 11.15 percent of the refunded par amount of \$233,095,000 (Exhibit 1 above).

Debt Limit

The City Charter imposes a limit on general obligation bond debt of 3 percent of the assessed value of property in the City.⁵ As of January 1, 2020, the City has approximately \$2.39 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.85 percent of the net assessed value in FY 2019-20.⁶

POLICY CONSIDERATION**Board of Supervisors Approval of the City's Debt Policy**

The proposed resolution approving changes to the Debt Policy (File 20-0089) authorizes the Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, to make changes to the Debt Policy to take into account changes in law or best practices, or that are recommended by the City's financial advisors. These changes would be filed with the Clerk of the Board with a brief memorandum explaining the nature of the change. The Budget and Legislative Analyst recommends amending the language of File 20-0089 to retain the Board of Supervisors practice of approving all aspects of the City's Debt Policy over which the City has local discretion, including changes in best practices or recommendations of the City's financial advisors.

RECOMMENDATIONS

- Amend Resolution 20-0089 to state: "The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in federal or state law or regulatory guidance, ~~changes in best practices, or as otherwise recommended by the City's municipal advisors as are necessary or desirable;~~ provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change."
- Amend File 20-0088, Section 4(c)(i) to state: "The City's current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price."
- Amend File 20-0088, Section 4(c)(ii) to add: "The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code".
- Approve File 20-0088 as amended and File 20-0089 as amended.
- Approve File 20-0038.

⁵ Net of non-reimbursable expenses and homeowner exemptions.

⁶ According to Table A-26 in the Preliminary Official Statement, the total outstanding general obligation bond principal is \$2,389,312,972. As noted in the Attachment to this report, of the \$2,389,312,972 in outstanding general obligation bond debt, \$1,842,405,000 could be refunded through June 30, 2025.

Attachment: Current General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Refundable Par Amount
2020 GO Refunding Candidates (Callable on or before June 15, 2020)			
Refunding Series 2008-R1	\$232,075,000	\$3,480,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$38,335,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$114,990,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$45,285,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$46,360,000	\$43,435,000
Subtotal 2020 GO Refunding Candidates	\$642,575,000	\$248,450,000	\$233,095,000
2021 GO Refunding Candidates (Callable on June 15, 2021 or December 15, 2021)			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$38,780,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$16,720,000	\$14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$69,785,000	\$62,425,000
Refunding Series 2011-R1	\$339,475,000	\$149,240,000	\$94,125,000
Subtotal 2021 GO Refunding Candidates	\$572,025,000	\$274,525,000	\$206,195,000
2022 GO Refunding Candidates (Callable on June 15, 2022)			
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$147,770,000	\$121,115,000
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$154,035,000	\$128,575,000
Series 2012E (Earthquake Safety & Emergency Response, 2010)	\$38,265,000	\$28,380,000	\$23,260,000
Series 2014C (Earthquake Safety & Emergency Response, 2010)	\$54,950,000	\$40,095,000	\$34,045,000
Series 2014D (Earthquake Safety & Emergency Response, 2014)	\$100,670,000	\$73,435,000	\$62,355,000
Subtotal 2022 GO Refunding Candidates	\$654,940,000	\$443,715,000	\$369,350,000
2023 GO Refunding Candidates (Callable on June 15, 2023)			
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$41,870,000	\$33,740,000
Refunding Series 2015-R1	\$293,910,000	\$234,310,000	\$164,190,000
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$7,195,000	\$5,735,000
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$23,355,000	\$18,620,000
Series 2016C (Earthquake Safety & Emergency Response, 2010)	\$25,215,000	\$21,435,000	\$17,190,000
Series 2016D (Earthquake Safety & Emergency Response, 2014)	\$109,595,000	\$72,305,000	\$58,000,000
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$37,515,000	\$30,095,000
Subtotal 2023 GO Refunding Candidates	\$591,785,000	\$437,985,000	\$327,570,000
2024 GO Refunding Candidates (Callable on June 15, 2024)			
Series 2017A (Public Health & Safety, 2016)	\$173,120,000	\$116,925,000	\$90,670,000
Series 2018E (Public Health & Safety, 2016)	\$49,955,000	\$36,370,000	\$29,475,000
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$44,855,000	\$35,400,000
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$102,010,000	\$80,505,000
Series 2018C (Earthquake Safety & Emergency Response, 2014)	\$189,735,000	\$137,570,000	\$110,735,000
Subtotal 2024 GO Refunding Candidates	\$663,965,000	\$437,730,000	\$346,785,000
Total GO Refunding Candidates Callable 2020 - 2024 ^[1]	\$3,125,290,000	\$1,842,405,000	\$1,482,995,000

[1] Note that there are no GO Bonds callable 6/15/2025.

Source: Memorandum provided by the Office of Public Finance

Items 13 and 14 Files 20-0088 and 20-0089	Department: Office of Public Finance
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 20-0089** is a resolution approving the City’s Debt Policy, as recommended by the Controller’s Office of Public Finance.
- **File 20-0088** is a resolution authorizing the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the amount of \$255,000,000.

Key Points

- File 20-0089 revises the City’s Debt Policy to conform to Security and Exchange Commission (SEC) Rule 15c2-12, regarding a municipality’s disclosure policies to bond holders and potential investors. The changes specifically pertain to the Disclosure Practice Working Group, and the City’s requirements to disclose (1) certain events that could impact credit rating, credit quality, and default probability; (2) changes in financial and economic circumstances that affect repayment capacity; and (3) any changes in the rights of bond holders that could expose owners to increased risk and financial liability.
- File 20-0088 authorizes the Office of Public Finance to issue refunding bonds of up to \$1,482,995,000 to refund outstanding general obligation bonds. The refunding bonds could be issued in multiple series through June 30, 2025; the first series authorized by the proposed resolution would be \$225,000,000 to be sold in the spring of 2020. Future issuances would be subject to Board of Supervisors approval.

Fiscal Impact

- Estimated debt service savings from the issuance of \$255,000,000 in refunding bonds is \$31.64 million.

Recommendations

- Amend Resolution 20-0089 to state: “The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in law, ~~changes in best practices, or as otherwise recommended by the City’s municipal advisors as are necessary or desirable~~; provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change.”
- Amend File 20-0088, Section 4(c)(i) to state: “The City’s current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.”
- Amend File 20-0088, Section 4(c)(ii) to add: “The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code”.
- Approve File 20-0088 as amended and File 20-0089 as amended.

MANDATE STATEMENT

File 20-0089: California Code Section 8855 requires that local governments certify 30 days prior to the sale of any bonds that it has adopted debt policies.

File 20-0088: City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

BACKGROUND**The City's Debt Policy**

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City's Debt Policy as recommended by the Controller's Office of Public Finance in January 2019 (File 18-1227).

DETAILS OF PROPOSED LEGISLATION

File 20-0089: The proposed resolution approves the City's Debt Policy, as recommended by the Controller's Office of Public Finance. The proposed changes to the City's Debt Policy include:

Change to Negotiated Sales Provision

Currently, the Debt Policy authorizes the Director of Public Finance in consultation with the Controller to determine if new money and refunding bonds may be issued through a negotiated rather than a competitive sale under the following conditions: (1) deterioration in the City's credit rating or outlook; (2) market disruptions outside of the City's control, including new or proposed changes in taxation or sector risks; and (3) transactions consisting of variable rate debt, commercial paper, non-traditional debt structure, or public/private partnerships.

Under the proposed Debt Policy, the City's municipal advisor(s) would also be included in the consultation of when new or refunding bonds may be issued through a negotiated sale. In addition, "complex refunding" would be added as a transaction that may be issued through a negotiated sale.

Changes to Disclosure Provisions

Appendix I of the Debt Policy details the City's Municipal Finance Disclosure Policies and Procedures. The changes to Appendix I are required to conform with recent changes to Security and Exchange Commission (SEC) Rule 15c2-12, regarding a municipality's disclosure policies to bond holders and potential investors. The changes pertain primarily to the Disclosure Practice Working Group, and outline in specific detail the City's procedures and guidelines surrounding its obligation to disclose (1) certain listed events that could impact credit rating, credit quality, and default probability; (2) changes in financial and economic circumstances that affect repayment capacity; and (3) any changes in the rights of bond holders that could expose owners to increased risk and financial liability. Such events or changes will need to be disclosed

electronically within 10 business days and made public to investors through a disclosure announcement that will be posted on the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Other proposed changes to Appendix I include:

- Providing for the Office of Public Finance to develop additional disclosures for bonds issued by Community Facilities Districts or Infrastructure Financing Districts or Special Assessment Districts, and for Green Bonds, unrelated to federal and state security laws; and
- Provisions (1) for disclosure documents for issuers of conduit financing (such as multi-family revenue bonds) to indemnify the City against untrue statements in the disclosure documents; and (2) for offering statements to contain disclaimers that the information supplied by the City is limited.

File 20-0088: The proposed resolution authorizes the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the not-to-exceed amount of \$255,000,000.

The proposed resolution approves actions and documents (including modifications) for the issuance of the refunding bonds, including:

- The form and terms of the refunding bonds; and execution, authentication, and registration of the refunding bonds;
- Appointment of depositories, verification agents, and other agents for the refunding bonds;
- The property tax levy for repayment of the refunding bonds;
- Procedures for the competitive or negotiated sales, including the forms of the Official Notice of Sale and Notice of Intention to Sale, and the selection of underwriters and the execution and delivery of bond purchase contracts;
- The execution, delivery, or distribution of continuing disclosure certificates, escrow agreements relating to the prior general obligation bonds, and Preliminary Official Statement and Official Statement for sale of refunding bonds in an amount not-to-exceed \$255 million; and
- Payment of costs of issuance.

Terms of Refunding Bonds

As noted above, the proposed resolution would authorize the sale of the first series of refunding bonds in 2020 in an amount not-to-exceed \$255 million. Future sales would be subject to Board of Supervisors approval. The terms for the sale of refunding bonds include:

- Debt service on the refunding bonds should result in present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds;

- True interest cost of the refunding bonds should not exceed 12 percent;¹
- The maturity date of the refunding bonds is no later than the maturity date of the prior general obligation bonds;
- Costs of issuance of the refunding bonds does not exceed 2 percent of the principal amount of the bonds;
- The purchase price of the refunding bonds is not less than the par amount of the bonds;
- If the refunding bonds are sold through a negotiated sale, the underwriter's discount² cannot exceed 1 percent; and
- If the refunding bonds are sold using credit enhancements (such as bond insurance or letters of credit), the present value savings of using the credit enhancements must exceed the cost of the credit enhancements.

Under the proposed resolution, the Director of Public Finance determines the amount, date, and other provisions for the future sale of refunding bonds, up to the authorized amount of \$1,482,995,000. As noted above, future sales of refunding bonds would be subject to Board of Supervisors approval.

In order to clarify the intent of the proposed resolution (File 20-0088):

- Section 4(c)(i), which provides for present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds, should be revised to state: "The City's current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price."
- Section 4(c)(ii), which provides for the true interest cost of the refunding bonds, should be revised to add: "as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code."

Outstanding General Obligation Bonds

The City previously issued series of general obligation bonds totaling \$3,125,290,000 between 2008 and 2018 which contain principal maturities that are currently outstanding and could be optionally redeemed before June 15, 2025, as authorized by File 20-0088, of which \$1,842,405,000 is outstanding, as shown in the Attachment. The proposed ordinance would authorize refunding of \$1,482,995,000 of the outstanding balance of \$1,842,405,000.

¹ "True interest cost" is the rate that sets the present value of principal and interest payments equal to the net proceeds from the bond issuance.

² The "underwriter's discount" is the difference between the price paid to the issuer of the bonds and the price at which the bonds are offered for sale to investors.

FISCAL IMPACT

The Office of Public Finance has identified \$233,095,000 in outstanding general obligation bonds to be refunded by a maximum par of \$255,000,000 in refunding bonds to be sold in 2020, as shown in Exhibit 1 below.

Exhibit 1: Series 2020-R1 General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Refundable Par Amount
Refunding Series 2008-R1	\$232,075,000	\$3,480,000
Series 2010 E (Earthquake Safety and Emergency Response, 2010)	79,520,000	35,730,000
Series 2012A (Earthquake Safety and Emergency Response, 2010)	183,330,000	108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	73,355,000	42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	74,295,000	43,435,000
Total	\$642,575,000	\$233,095,000

Source: Office of Public Finance

The amount of the bonds to be refunded is estimated to be \$236,800,136, including the outstanding balance and accrued interest at the time of the refunding, as shown in Exhibit 2 below.

Exhibit 2: Estimated Source & Uses of 2020 Refunding Bonds**Sources***Refunding Bond Proceeds*

Par Amount	\$198,925,000
Premium	39,099,597
Total Sources	\$238,024,597

Uses

Refunding Escrow	\$236,800,136
<i>Delivery Date Expenses</i>	
Cost of Issuance	905,805
Underwriter's Discount	318,656
Subtotal Delivery Date Expenses	1,224,416
Total Uses	\$238,024,597
Reserve for Market Uncertainty	16,975,403
Not-to-Exceed Par Amount	\$255,000,000

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

Debt Service Savings

According to the Office of Public Finance, based on bond market conditions as of January 24, 2020, the City could issue Series 2020-R1 tax-exempt refunding bonds in the Spring of 2020 in order to realize savings. Based on current market conditions, the Office of Public Finance

estimates that the Series 2020-R1 refunding bonds will be sold at an interest rate of 2.19 percent and result in \$31.64 million in total debt service savings.

The proposed resolution requires refunding bonds to achieve 3 percent present value savings of the par value of the refunded bonds. The net present value of the debt service savings of the proposed refunding bonds is estimated to be \$26.83 million, equal to 11.51 percent of the par value of the refunded bonds³, well above the 3 percent minimum present value savings threshold.

Debt Issuance Costs

The proposed resolution requires the costs of issuance to not exceed 2 percent, and for a negotiated sale, the underwriter's discount to not exceed 1 percent of the principal amount of the refunding bonds. The combined cost of issuance and underwriters discount is estimated at \$1,224,461, which is less than 1 percent of the principal amount, below the threshold in the proposed resolution. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because of the series to be refunded includes multiple separate series with different initial origination dates, and multiple interest rates payable over time on each of the refunded series.

Debt Limit

The City Charter imposes a limit on general obligation bond debt of 3 percent of the assessed value of property in the City.⁴ As of January 1, 2020, the City has approximately \$2.39 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.85 percent of the net assessed value in FY 2019-20.⁵

POLICY CONSIDERATION

Board of Supervisors Approval of the City's Debt Policy

The proposed resolution approving changes to the Debt Policy (File 20-0089) authorizes the Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, to make changes to the Debt Policy to take into account changes in law or best practices, or that are recommended by the City's financial advisors. These changes would be filed with the Clerk of the Board with a brief memorandum explaining the nature of the change. The Budget and Legislative Analyst recommends amending the language of File 20-0089 to retain the Board of Supervisors practice of approving all aspects of the City's Debt Policy over which the City has local discretion, including changes in best practices or recommendations of the City's financial advisors.

³ According to the Office of Public Finance's calculations, the present value of debt service savings of \$26,826,167 is equal to 11.15 percent of the refunded par amount of \$233,095,000 (Exhibit 1 above).

⁴ Net of non-reimbursable expenses and homeowner exemptions.

⁵ According to Table A-26 in the Preliminary Official Statement, the total outstanding general obligation bond principal is \$2,389,312,972. As noted in the Attachment to this report, of the \$2,389,312,972 in outstanding general obligation bond debt, \$1,842,405,000 could be refunded through June 30, 2025.

RECOMMENDATIONS

- Amend Resolution 20-0089 to state: “The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in law, ~~changes in best practices, or as otherwise recommended by the City’s municipal advisors as are necessary or desirable~~; provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change.”
- Amend File 20-0088, Section 4(c)(i) to state: “The City’s current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.”
- Amend File 20-0088, Section 4(c)(ii) to add: “The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code”.
- Approve File 20-0088 as amended and File 20-0089 as amended.

Attachment: Current General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Refundable Par Amount
2020 GO Refunding Candidates (Callable on or before June 15, 2020)			
Refunding Series 2008-R1	\$232,075,000	\$3,480,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$38,335,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$114,990,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$45,285,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$46,360,000	\$43,435,000
Subtotal 2020 GO Refunding Candidates	\$642,575,000	\$248,450,000	\$233,095,000
2021 GO Refunding Candidates (Callable on June 15, 2021 or December 15, 2021)			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$38,780,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$16,720,000	\$14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$69,785,000	\$62,425,000
Refunding Series 2011-R1	\$339,475,000	\$149,240,000	\$94,125,000
Subtotal 2021 GO Refunding Candidates	\$572,025,000	\$274,525,000	\$206,195,000
2022 GO Refunding Candidates (Callable on June 15, 2022)			
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$147,770,000	\$121,115,000
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$154,035,000	\$128,575,000
Series 2012E (Earthquake Safety & Emergency Response, 2010)	\$38,265,000	\$28,380,000	\$23,260,000
Series 2014C (Earthquake Safety & Emergency Response, 2010)	\$54,950,000	\$40,095,000	\$34,045,000
Series 2014D (Earthquake Safety & Emergency Response, 2014)	\$100,670,000	\$73,435,000	\$62,355,000
Subtotal 2022 GO Refunding Candidates	\$654,940,000	\$443,715,000	\$369,350,000
2023 GO Refunding Candidates (Callable on June 15, 2023)			
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$41,870,000	\$33,740,000
Refunding Series 2015-R1	\$293,910,000	\$234,310,000	\$164,190,000
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$7,195,000	\$5,735,000
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$23,355,000	\$18,620,000
Series 2016C (Earthquake Safety & Emergency Response, 2010)	\$25,215,000	\$21,435,000	\$17,190,000
Series 2016D (Earthquake Safety & Emergency Response, 2014)	\$109,595,000	\$72,305,000	\$58,000,000
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$37,515,000	\$30,095,000
Subtotal 2023 GO Refunding Candidates	\$591,785,000	\$437,985,000	\$327,570,000
2024 GO Refunding Candidates (Callable on June 15, 2024)			
Series 2017A (Public Health & Safety, 2016)	\$173,120,000	\$116,925,000	\$90,670,000
Series 2018E (Public Health & Safety, 2016)	\$49,955,000	\$36,370,000	\$29,475,000
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$44,855,000	\$35,400,000
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$102,010,000	\$80,505,000
Series 2018C (Earthquake Safety & Emergency Response, 2014)	\$189,735,000	\$137,570,000	\$110,735,000
Subtotal 2024 GO Refunding Candidates	\$663,965,000	\$437,730,000	\$346,785,000
Total GO Refunding Candidates Callable 2020 - 2024 ^[1]	\$3,125,290,000	\$1,842,405,000	\$1,482,995,000

[1] Note that there are no GO Bonds callable 6/15/2025.

Source: Memorandum provided by the Office of Public Finance



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance
Luke Brewer, Controller's Office of Public Finance *LB*

DATE: Monday, January 27, 2020

SUBJECT: Resolution authorizing the issuance of City & County of San Francisco General Obligation Refunding Bonds, from time to time, in an amount not to exceed \$1,482,995,000

Resolution approving the Controller's Office of Public Finance Debt Policy in accordance with California Government Code Section 8855 and determining other matters in connection therewith

Recommended Actions

Refunding Resolution

We respectfully request that the Board of Supervisors (the "Board") consider for review and approval the resolution (the "Refunding Resolution") which (1) authorizes the issuance from time to time, in one or more series, of not to exceed \$1,482,995,000 aggregate principal amount of the City and County of San Francisco General Obligation Refunding Bonds (the "Refunding Bonds"); (2) approves the sale of the initial series of such bonds to be designated as City and County of San Francisco General Obligation Refunding Bonds, Series 2020-R1 (the "2020-R1 Refunding Bonds") in the amount not to exceed \$255,000,000; and (3) other necessary actions in connection therewith.

Debt Policy Resolution

Additionally, we respectfully request that the Board consider for review and approval the resolution (the "Debt Policy Resolution") approving the Controller's Office of Public Finance Debt Policy in accordance with California Government Code Section 8855 and determining other matters in connection therewith.

Debt Policy Resolution Background

The Office of Public Finance ("OPF"), in consultation with the City Attorney's Office, has recently undertaken its periodic review of the Debt Policy to, among other things, refine certain of the City's

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disclosure practices, which are detailed in Appendix I - Municipal Disclosure Policies and Section Procedures. (Please note: The City Attorney’s Office will be conducting a Board training, which is tentatively scheduled for February 25, where the background and rationale for these procedures will be covered.) Additionally, per Section VIII.B., the policy expands the circumstances in which the City would determine to sell bonds via a negotiated sale. A negotiated sale allows for more flexibility in timing of the sale, allows the adjustment of the structure and amount of bonds being issued based on final interest rates, and allows for couponing flexibility and targeting of specific investors during a pre-marketing period. A negotiated sale is also useful during a market dislocation or when a disruption such as litigation exists, when a competitive underwriter may build in a risk premium (additional cost) due to uncertainty in the ability to resell all of the bonds in a timely manner to end investors. A determination to sell bonds via a negotiated sale requires consultation with the Controller and the City’s Municipal Advisor(s) as well as a competitive process for underwriter selection.

Prior Board of Supervisors Actions

The Board has previously adopted resolutions approving the Controller’s Debt Policy as modified from time to time, including Resolution 250-17 approved in June 2017 and Resolution 53-19 approved in February 2019.

Refunding Resolution Background

Since 1992, a two-thirds majority of voters of the City and County of San Francisco (the “City”) have approved 26 Propositions authorizing the issuance of general obligation bonds (“GO Bonds”) totaling \$6.10 billion for various projects. \$4.50 billion of bonds have been issued and \$2.39 billion are outstanding. When the City issues GO Bonds, there are provisions included which give the City the option to refinance the bonds after a certain period of time, should interest rates be more favorable and produce savings to the City. Over the next four years, OPF estimates there could be opportunities to refinance up to \$1.48 billion in GO Bonds, including \$233.1 million which can be refinanced beginning in March 2020.

See Attachment 1 for a full list of GO Bonds authorizations and series outstanding as of January 1, 2020.

See Attachment 2 for the list of Prior Bonds with refinancing opportunities over the next 5 years.

Prior Board of Supervisors Actions

The Board adopted Resolution No. 272-04 in May 2004 (the “2004 Resolution”). The 2004 Resolution authorized the issuance of \$800 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 adopted Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Prior Bond Resolutions”) which 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.

Current Plan of Finance

The Refunding Resolution authorizes and directs the Director of OPF to determine which series of outstanding Prior GO Bonds would be refinanced with the proceeds of Refunding Bonds and to provide

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for the sale of any series of Refunding Bonds using the approved form of such documents, subject to certain terms and conditions including the following:

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

The Refunding Resolution also approves the sale of the first issuance of Refunding Bonds, designated Series 2020-R1, in an amount not to exceed \$255 million, to refund all or a portion of the Prior Bonds listed in Table 1 below.

Table 1: Series 2020-R1 General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Refundable Par Amount
Refunding Series 2008-R1	\$232,075,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$43,435,000
Total	\$642,575,000	\$233,095,000

Based on bond market conditions as of January 24, 2020, the City could issue the tax-exempt 2020-R1 Refunding Bonds in the Spring of 2020 to refund the Prior Bonds and generate gross savings to property taxpayers of approximately \$31.64 million based on an estimated interest rate of 2.19%. On a net present value (“NPV”) basis, OPF estimates the debt service savings to be approximately \$26.83 million, or 11.51% of the total outstanding principal of the Prior Bonds to be refunded (\$233.1 million), above the City’s policy requirement that savings be at least 3.00% of the Prior Bond amount.

OPF will continue to monitor market conditions and may revise the par amount of the refunding prior to the final sale or pricing date. OPF anticipates the transaction to price in March and close in April 2020.

Table 2 on the following page outlines the not-to-exceed sources and uses for the 2020-R1 Refunding Bonds, based on an estimate provided by Montague DeRose and Associates, LLC, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

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Table 2: Estimated Sources & Uses of the 2020-R1 Refunding Bonds

Sources:	
<u>Refunding Bond Proceeds</u>	
Par Amount	\$198,925,000
Premium	\$39,099,597
Total Sources	\$238,024,597
Uses:	
Refunding Escrow	\$236,800,136
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$905,805
Underwriter's Discount	\$318,656
Total Uses	\$238,024,597
<i>Reserve for Market Uncertainty</i>	<i>\$16,975,403</i>
Not-to-Exceed Par Amount	\$255,000,000

Source: Montague DeRose and Associates, LLC

The requested not-to-exceed par amount of \$255,000,000 for the 2020-R1 Refunding Bonds exceeds the current estimated par amount of \$198,925,000 in order to provide flexibility to capture the benefit of more favorable market conditions should they be available at the time of sale. Conditions that could result in a change in the anticipated bond par amount include fluctuations in market interest rates between the date of authorization by the Board and the sale of the 2020-R1 Refunding Bonds, changes in the refunding escrow or changes in estimated delivery date expenses.

Based upon an estimated true interest cost of 2.19% as defined in the proposed Refunding Resolution, OPF estimates that average fiscal year debt service on the Refunding Bonds is approximately \$18.15 million. The anticipated total par value of \$198.93 million is estimated to result in approximately \$76.83 million in interest payments over the life of the Refunding Bonds. The total principal and interest payment over the approximate 15-year life of the Refunding Bonds is approximately \$275.75 million.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see Attachment 3. The information set forth in Attachment 3 is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

Debt Limit

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2019-20 is approximately \$8.43 billion, based on a net assessed valuation of approximately \$281.1 billion. As of January 1, 2020, the City had approximately \$2.39 billion in aggregate principal amount of general obligation bonds outstanding, which equals approximately 0.85% of the net assessed valuation for fiscal year 2019-20. If all of the City's voter-authorized and unissued general obligation bonds were

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issued (\$1.60 billion), the total debt burden would be 1.42% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Refunding Bonds, after the City issues the 2020-R1 Refunding Bonds, the debt ratio is estimated to decrease by approximately 0.01% to 0.84%—within the 3.00% legal debt limit.

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, January 28, 2020. The forms of the related financing documents—including the Bond Purchase Contract, Escrow Agreement, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents—will also be submitted. The Appropriation Ordinance related to the sale of the 2020-R1 Refunding Bonds was introduced on January 14, 2020.

Method of Sale & Bond Purchase Contract: A negotiated sale is planned in connection with this transaction in order to maximize flexibility on the timing and structure of the sale to enhance refunding savings and bonding capacity while maintaining tax rates within the City’s Capital Plan constraint. OPF issued a Request for Proposals to firms within the City’s Underwriter Pool, which was established via a competitive process. In consultation with the City’s Municipal Advisor, OPF recommends a syndicate led by J.P. Morgan, with Loop Capital Markets, Morgan Stanley and Ramirez & Co. serving as co-managers. The Bond Purchase Contract details the terms, covenants, and conditions for the sale of the Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Escrow Agreement: The Resolution approves the form of Escrow Agreement, allowing for the creation of escrow funds to pay the principal and interest due on the Prior Bonds. The escrow agent will hold any escrow obligations pursuant to the Escrow Agreement in an irrevocable trust fund account for the City for the benefit of the owners of the Prior Bonds.

Official Notice of Sale and Notice of Intention to Sell (if bonds are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City’s intention to sell the Bonds. Such Notice of Intention to Sell will be published once in “The Bond Buyer” or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of a competitive sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolution, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City’s Appendix A, the most recent

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Comprehensive Annual Financial Report of the City, the City’s Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds.

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

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

Appendix A: The City prepares the Appendix A: “City and County of San Francisco—Organization and Finances” (the “Appendix A”) for inclusion in the Official Statement. The Appendix A describes the City’s government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

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

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the “Annual Report”) not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of Appropriation to the Board of Supervisors	January 14, 2020
• Introduction of Resolutions to the Board of Supervisors	January 28, 2020
• Budget & Finance Committee Hearing - Resolutions	February 12, 2020
• Board Considers Approval of Resolution & Board Disclosure Training	February 25, 2020
• Budget & Finance Committee Hearing - Appropriation	February 26, 2020
• Board Considers Approval of Appropriation Ordinance (1 st Reading)	March 3, 2020
• Final Board Approval of Appropriation Ordinance (2 nd Reading)	March 10, 2020
• Sale and Closing of the 2020-R1 Refunding Bonds	Estimated March/April 2020

*Please note that dates are estimated unless otherwise noted.

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Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org) at 415-554-5956, Luke Brewer (luke.brewer@sfgov.org) at 415-554-7693, or Vishal Trivedi (vishal.trivedi@sfgov.org) at 415-554-4862 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor’s Office
Kelly Kirkpatrick, Mayor’s Budget Director
Ben Rosenfield, Controller
Naomi Kelly, City Administrator
Harvey Rose, Budget Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Brooke Abola, Deputy City Attorney

ATTACHMENT 1

CITY AND COUNTY OF SAN FRANCISCO

General Obligation Bonds

As of January 1, 2020

Bond Authorization Name	Election Date	Bonds Authorized	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	\$18,657,972	
<i>Reauthorization to</i>			2015A	\$24,000,000	-	
<i>Repurpose for Affordable Housing</i>	11/8/16		2019A	\$72,420,000	\$72,420,000	\$188,264,550
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$35,645,000	
			2012B	\$73,355,000	\$45,285,000	
			2016A	\$8,695,000	\$7,195,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$173,805,000	
			2012D	\$251,100,000	\$147,770,000	
			2014A	\$209,955,000	\$154,035,000	-
Earthquake Safety & Emergency Response	6/8/10	\$412,300,000	2010E	\$79,520,000	\$38,335,000	
			2012A	\$183,330,000	\$114,990,000	
			2012E	\$38,265,000	\$28,380,000	
			2013B	\$31,020,000	\$16,720,000	
			2014C	\$54,950,000	\$40,095,000	
			2016C	\$25,215,000	\$21,435,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	\$46,360,000	
			2013C	\$129,560,000	\$69,785,000	
			2016E	\$44,145,000	\$37,515,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$38,780,000	
			2016B	\$43,220,000	\$23,355,000	
			2018A	\$76,710,000	\$44,855,000	
			2019B	\$3,100,000	\$3,100,000	-
Earthquake Safety & Emergency Response	6/3/14	\$400,000,000	2014D	\$100,670,000	\$73,435,000	
			2016D	\$109,595,000	\$72,305,000	
			2018C	\$189,735,000	\$137,570,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$41,870,000	
			2018B	\$174,445,000	\$102,010,000	\$258,550,000
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$48,485,000	
			2018D	\$142,145,000	\$102,070,000	
			2019C	\$92,725,000	\$92,725,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$116,925,000	
			2018E	\$49,955,000	\$36,370,000	\$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000				\$425,000,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
SUBTOTAL		\$4,862,700,000		\$3,263,960,450	\$2,002,282,972	\$1,598,739,550
General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2008-R1	5/29/08			\$232,075,000	\$3,480,000	
Series 2011-R1	11/30/11			\$339,475,000	\$149,240,000	
Series 2015-R1	2/25/15			\$293,910,000	\$234,310,000	
SUBTOTAL				\$865,460,000	\$387,030,000	
TOTALS		\$4,862,700,000		\$4,129,420,450	\$2,389,312,972	\$1,598,739,550

ATTACHMENT 2

CITY AND COUNTY OF SAN FRANCISCO

General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Refundable Par Amount
2020 GO Refunding Candidates (Callable on or before June 15, 2020)			
Refunding Series 2008-R1	\$232,075,000	\$3,480,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$38,335,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$114,990,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$45,285,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$46,360,000	\$43,435,000
Subtotal 2020 GO Refunding Candidates	\$642,575,000	\$248,450,000	\$233,095,000
2021 GO Refunding Candidates (Callable on June 15, 2021 or December 15, 2021)			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$38,780,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$16,720,000	\$14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$69,785,000	\$62,425,000
Refunding Series 2011-R1	\$339,475,000	\$149,240,000	\$94,125,000
Subtotal 2021 GO Refunding Candidates	\$572,025,000	\$274,525,000	\$206,195,000
2022 GO Refunding Candidates (Callable on June 15, 2022)			
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$147,770,000	\$121,115,000
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$154,035,000	\$128,575,000
Series 2012E (Earthquake Safety & Emergency Response, 2010)	\$38,265,000	\$28,380,000	\$23,260,000
Series 2014C (Earthquake Safety & Emergency Response, 2010)	\$54,950,000	\$40,095,000	\$34,045,000
Series 2014D (Earthquake Safety & Emergency Response, 2014)	\$100,670,000	\$73,435,000	\$62,355,000
Subtotal 2022 GO Refunding Candidates	\$654,940,000	\$443,715,000	\$369,350,000
2023 GO Refunding Candidates (Callable on June 15, 2023)			
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$41,870,000	\$33,740,000
Refunding Series 2015-R1	\$293,910,000	\$234,310,000	\$164,190,000
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$7,195,000	\$5,735,000
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$23,355,000	\$18,620,000
Series 2016C (Earthquake Safety & Emergency Response, 2010)	\$25,215,000	\$21,435,000	\$17,190,000
Series 2016D (Earthquake Safety & Emergency Response, 2014)	\$109,595,000	\$72,305,000	\$58,000,000
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$37,515,000	\$30,095,000
Subtotal 2023 GO Refunding Candidates	\$591,785,000	\$437,985,000	\$327,570,000
2024 GO Refunding Candidates (Callable on June 15, 2024)			
Series 2017A (Public Health & Safety, 2016)	\$173,120,000	\$116,925,000	\$90,670,000
Series 2018E (Public Health & Safety, 2016)	\$49,955,000	\$36,370,000	\$29,475,000
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$44,855,000	\$35,400,000
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$102,010,000	\$80,505,000
Series 2018C (Earthquake Safety & Emergency Response, 2014)	\$189,735,000	\$137,570,000	\$110,735,000
Subtotal 2024 GO Refunding Candidates	\$663,965,000	\$437,730,000	\$346,785,000
Total GO Refunding Candidates Callable 2020 – 2024	\$1,869,540,000	\$966,690,000	\$1,482,995,000

ATTACHMENT 3

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, Montague DeRose and Associates, LLC as of January 24, 2020:

1. True interest cost of the Bonds: 2.19%
2. Finance charge for the Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,222,156.
3. Amount of Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the Bonds: \$236,800,136.
4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the Bonds: \$275,751,486.

The information set forth above is based upon estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

1/24/2020

[Par Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1

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] (“Underwriters”), offers to enter into the following agreement with the City and County of San Francisco (“City”). Upon the acceptance of this offer by the City, this 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 general obligation bonds captioned above (“Bonds”) is otherwise terminated pursuant to Section 8(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 10(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 [Par Amount] aggregate principal amount of 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 Bonds shall be [Purchase Price], calculated as the aggregate principal amount of the Bonds in the amount of [Par Amount], less an aggregate underwriters’ discount in the amount of [Underwriter’s Discount].

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

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 Corporation 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 depending 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, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

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

- [Master Resolution] [FINAL TITLE OF RESOLUTION] (the "Master Resolution"), and

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 Bonds are being issued for the purpose of providing funds to (a) refund certain outstanding bonds of the City ("Refunded Bonds"), and (b) pay costs of issuance of the 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 the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company (“DTC”) and its book-entry only system) did 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 4(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 twenty-five 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, 2019, set forth as an Appendix to 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 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, if material, 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. The City has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

(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.

Section 7. Underwriters' Representations, Covenants and Agreements. 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.

Section 8. Offering. 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] 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.

(a) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit D**, 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 the Bonds to the public.

(b) The City will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Schedule I attached hereto sets forth the maturities of the Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the "10% Test Maturities") and the prices at which the Underwriters have sold such 10% Test Maturities to the public.

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 Bonds, 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 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, 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 who 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 issue price of the Bonds, 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.

(c) The Representative confirms that:

(i) 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 Bonds 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 third-party distribution agreement, as applicable, to:

(A)(i) report the prices at which it sells to the public the unsold Bonds of any maturity allocated to it, whether or not the Closing Date has occurred, until either all 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 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 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the 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.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of 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 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 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 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.

(d) The Underwriters acknowledge that sales of any 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 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 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 any of 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” means the date of execution of this Purchase Contract by all parties.

Section 10. Closing. At [8:30] a.m., California time, on [Closing Date], or at such other time as shall have been mutually agreed upon by the City and the 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 8(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 _____, in [San Francisco], 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 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 if at any time after the date of this Purchase Contract and prior to the Closing:

(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; 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; or

(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.

(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 have the further right to cancel their obligation to purchase the Bonds by written notification from the Representative to 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) 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;

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

(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 Underwriters' Counsel;

(5) unqualified opinions of _____ ("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 C**;

(7) a Negative Assurance Letter from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth LLP, Co-Disclosure Counsel, addressed and in form and substance acceptable to the City and the City Attorney, with a reliance letter to the Representative;

(8) a letter of [Underwriters' Counsel], 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., Standard & Poor's Ratings Services and Fitch, 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) Escrow Agreement;

(13) 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)(9) 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 10 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 10(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, Disclosure Counsel and Montague DeRose and Associates (the "Municipal Advisor"); (ii) the fees and disbursements 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 4(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:

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 provisions 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

By: _____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

ACCEPTED at ___ p.m. Pacific Time this ___ day of ___, 2020

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

SCHEDULE I

<u>Maturity Date</u> <u>(June 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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REDEMPTION PROVISIONS

Optional Redemption of the Bonds

The Bonds maturing on or before June 15, 20__ will not be subject to optional redemption prior to their respective stated 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, on or after June 15, 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

Mandatory Redemption

The Bonds maturing on June 15, 20__ will be subject to mandatory sinking fund redemption prior to their stated maturity date, 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 Sections 12B.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 Section 12B.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 that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. 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 20 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 must inform each such person of the limitation on contributions imposed by Section 1.126 and provide the names of the persons required to be informed to City.

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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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."

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

**§
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1**

The undersigned Mayor, Controller and Treasurer, respectively, of the City and County of San Francisco ("City"), acting in their official capacities, hereby certify as follows in connection with the issuance, sale and delivery of the general obligation bonds captioned above ("Bonds"):

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California ("State"), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the Resolutions (defined below), the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the City and the Purchase Contract, dated [Sale Date] (the "Purchase Contract"), executed by the City and [Underwriters]. The Resolutions, the Continuing Disclosure Certificate and the Purchase Contract are sometimes referred to in this Certificate as the "City Documents." Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The representations and warranties of the City contained in the Purchase Contract are true, complete and correct as of the Closing Date as if made on such Closing Date.

3. The City has duly authorized the execution and delivery of the City Documents and the Official Statement, has duly executed and delivered the City Documents and the Official Statement, and is authorized to perform the obligations on its part to be performed under the City Documents; and each of the City Documents constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms.

4. The City is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, ordinance, resolution, agreement or other instrument to which the City is party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents or the performance of any of the City's obligations thereunder. No event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default. The execution and delivery by the City of the City Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the City is a party or is otherwise subject; nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge, encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the City, except as expressly provided or permitted by the Resolutions.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands.

Dated: _____, 2020.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London N. Breed
Mayor

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

CITY AND COUNTY OF SAN FRANCISCO

By: _____
José Cisneros
Treasurer

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[Closing Date]

City and County of San Francisco
San Francisco, California

[Representative]

Re: City and County of San Francisco General Obligation Refunding Bonds, Series
2020-R1

Ladies and Gentlemen:

[TO COME]

We have examined the Resolutions, the Official Statement relating to the Bonds, dated [Sale Date] (the "Official Statement"), and such other certified proceedings, certificates and other papers as we deem necessary to render this opinion. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The delivery of the Official Statement has been duly authorized and approved by the City.
2. The statements set forth in the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS – General," and "TAX MATTERS," insofar as such statements expressly purport to summarize certain provisions of the Bonds and our opinion concerning the Bonds, are accurate in all material respects.
3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended.
4. The Purchase Contract dated as of [Sale Date], between the City and [Representative], on its own behalf and as representative of [Undewriters], has been duly authorized, executed and delivered by the City and is enforceable against the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles.

We express no view herein with respect to the laws of any jurisdiction other than the State of California and the Federal law of the United States of America (other than tax laws, as to which no view is expressed).

We are furnishing this letter in our capacity as co-bond counsel to, and at the request of, the City, and not as counsel to any other address hereof. This letter is for its benefit as such and is not to be used, circulated, published, quoted or otherwise referred to or relied upon by any person other than the City without our prior written consent. This letter is not intended to, and may not, be relied upon by owners of the Bonds.

This opinion is given as of the date hereof, is based upon the laws in effect on the date hereof and is subject to any change in such laws, including judicial and administrative interpretations thereof, which may occur or be reported subsequent to the date hereof. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted therefrom. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

EXHIBIT D

FORM OF ISSUE PRICE CERTIFICATE

[TO COME]

Draft of 1/24/2020

ESCROW AGREEMENT

By and Among

CITY AND COUNTY OF SAN FRANCISCO

and

**[NAME OF BANK]
as Escrow Bank**

Dated as of _____, 2020

Relating to

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020-R1**

ESCROW AGREEMENT

THIS ESCROW AGREEMENT (SERIES 2020-R1), dated as of _____ 1, 2020 (the "Escrow Agreement"), by and among the City and County of San Francisco ("City") and [BANK NAME], as escrow bank (the "Escrow Bank"), is entered into in accordance with Resolution No. of the City, adopted on _____, 2020, to refund certain outstanding general obligation bonds of the City ("Refunded Bonds"). The Refunded Bonds are listed on A to this Escrow Agreement.

WITNESSETH:

WHEREAS, the City has previously caused to be issued the Refunded Bonds; and

WHEREAS, the City has determined to issue its General Obligation Refunding Bonds, Series 2020-R1 in the aggregate principal amount of \$_____ ("Bonds") for the purpose of providing moneys, a portion of which will be used to optionally redeem the Refunded Bonds on _____ 2020 ("Redemption Date") at a Redemption price equal to 100% of the outstanding aggregate principal amount thereof, together with interest accrued with respect to the Refunded Bonds through the Redemption Date ("Redemption Price"); and

WHEREAS, the City has taken action to cause to be issued or delivered to the Escrow Bank for deposit in or credit to the Escrow Fund established and maintained by it (the "Escrow Fund") moneys to be held uninvested as described herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Bank agree as follows:

SECTION 1. Deposit of Moneys. The Trustee shall deposit with the Escrow Bank \$_____, comprised of a portion of the net sale proceeds of the Bonds, [and instructs the ___ to transfer to the Escrow Bank \$_____, consisting of moneys held under the [Authorizing Resolution] to be held in irrevocable escrow by the Escrow Bank separate and apart from all other securities, investments or moneys on deposit with the Escrow Bank, in a fund hereby created and established and to be known as the "Escrow Fund," and to be applied solely as provided in this Escrow Agreement. The City confirms that such moneys are at least equal to an amount sufficient to pay the Redemption Price of the Refunded Bonds on the Redemption Date. The moneys in the Escrow Fund shall be held uninvested.

SECTION 2. Use of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

(a) To hold the moneys described in Section 1 hereof uninvested in the Escrow Fund; and

(b) to make the payments required under Section 3 hereof at the times set forth in Section 3 hereof.

SECTION 3. Redemption of the Refunded Bonds. On the Redemption Date, the Escrow Bank shall transfer from the Escrow Fund to the Trustee for the Refunded Bonds amounts sufficient to pay the Redemption Price of the applicable series of Refunded Bonds on the Redemption Date. Such transfers shall constitute the respective payments of the principal and interest with respect to the

Refunded Bonds and Redemption Price due from the City. The holders of the Refunded Bonds shall have a first lien on the moneys in the Escrow Fund which are allowable and sufficient to pay the Refunded Bonds until such moneys are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Escrow Fund are irrevocably pledged only to the holders of the Refunded Bonds. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Bank pursuant to the provisions of Section 1 hereof, the holders of the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the authorizing resolution.

SECTION 4. Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective agents and employees. In no event shall the City or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section 5. The indemnities contained in this Section 5 shall survive the termination of this Escrow Agreement or the earlier removal or resignation of the Escrow Bank.

SECTION 6. Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the funds deposited in the Escrow Fund to accomplish the defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the funds deposited in the Escrow Fund to accomplish the refunding of the Refunded Bonds on the Redemption Date or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance

therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City.

The liability of the Escrow Bank to make the payments required by this Escrow Agreement shall be limited to the moneys in the Escrow Fund.

No provision of this Escrow Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Bank shall not be liable for the accuracy of any calculations provided herein.

Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Bank without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The City shall pay the Escrow Bank full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, redemption or redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Escrow Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a

person is to be added or deleted from the listing. If the City elects to give the Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Bank and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 7. Irrevocable Instructions as to Notice. Pursuant to previous instructions given by the City, the Escrow Bank mailed conditional notices of redemption with respect to the Refunded Bonds on _____.] The Escrow Bank is hereby further instructed to mail and to file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") upon the defeasance of the Refunded Bonds a notice of defeasance of the Refunded Bonds in the form attached hereto as Schedule A. The sole remedy for the Escrow Bank's failure to file such notice on EMMA shall be an action by the holders of the Refunded Bonds in mandamus for specific performance or similar remedy to compel performance. [The Escrow Bank hereby acknowledges that upon the funding of the Escrow Fund as provided in this Escrow Agreement, it is in receipt of the items constituting all of the conditions precedent to the Redemption of the Refunded Bonds under the [AUTHORIZING RESOLUTION], the Refunded Bonds shall be paid in accordance with the [AUTHORIZING RESOLUTION] and after the Escrow Bank's receipt of the documents required to be delivered to it in connection with the defeasance of the Refunded Bonds pursuant to Section ___ of the {AUTHORIZING RESOLUTION}, the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the [AUTHORIZING RESOLUTION].]

SECTION 8. Amendments. [This Escrow Agreement is made for the benefit of the City and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank and the City]; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Certificates and the Refunded Bonds will not be adversely affected for federal income tax purposes, the City and the Escrow Bank may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not materially adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission

in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Bank; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 8, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 8.

SECTION 9. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Bank and all amounts owed to the Escrow Bank shall have been paid in full. Any unclaimed money which remains in the Escrow Fund for two years from the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement shall be remitted by the Escrow Bank (without liability for interest) to the City.

SECTION 10. Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Escrow Agreement.

SECTION 11. Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign by giving 30 days prior written notice in writing to the City. The Escrow Bank may be removed: (1) by: (i) the filing with the City of an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of the Refunded Bonds then remaining unpaid; and (ii) the delivery of a copy of the instruments filed with the City to the Escrow Bank; or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by the City or the holders of 5% in aggregate principal amount of the Refunded Bonds then remaining unpaid.

(b) No resignation or removal of the Escrow Bank shall become effective until a successor Escrow Bank has been appointed hereunder and until the cash held under this Escrow Agreement is transferred to the new Escrow Bank. The City or the holders of a majority in principal amount of the Refunded Bonds then remaining unpaid may, by an instrument or instruments filed with the City, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the City. If no successor Escrow Bank is appointed by the City or the holders of such Refunded Bonds then remaining unpaid, within 45 days after notice of any such resignation or removal, the holder of any such Refunded Bonds or any retiring Escrow Bank may apply to a court of competent jurisdiction for the appointment of a successor Escrow Bank.

SECTION 12. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 13. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 14. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

SECTION 15. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 16. Assignment. This Escrow Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the City, except such assignment in connection with a merger, conversion or consolidation as described in Section 6 hereof shall not require such prior written consent of the City.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers and attested as of the date and year first written above.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

ATTEST:

Clerk of the Board of Supervisors

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

[NAME OF BANK], as Escrow Bank and as Trustee

By: _____
Authorized Officer

SCHEDULE A
REFUNDED BONDS

NOTICE OF DEFEASANCE

City and County of San Francisco
[NAME OF BONDS]

Notice is hereby given to the owners of the outstanding certificates described below (collectively, the "Refunded Bonds"): (i) that there has been deposited with [NAME OF BANK], moneys as permitted by the [Resolution] that are sufficient (as evidenced by a verification report delivered to the Trustee) and available to redeem the Refunded Bonds on _____, 2020 at a Redemption price equal to 100% of the aggregate principal amount of the Refunded Bonds plus accrued interest with respect thereto; and (ii) that the Refunded Bonds are deemed to be paid and that the [AUTHORIZING RESOLUTION] has been released to the extent it relates to such Refunded Bonds in accordance with Section ____ of the Resolution, and all obligations of the City under the Resolution with respect to all Refunded Bonds have ceased, terminated and become void except as expressly set forth therein.

The Refunded Bonds to be defeased are as follows:

<i>CUSIP</i>	<i>MATURITY</i> <i>(April 1)</i>	<i>RATE</i>	<i>AMOUNT</i>	<i>PRICE</i>
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All Refunded Bonds shall be surrendered at the following address:

Delivery Instructions:

No representation is made as to the correctness of the CUSIP number either as printed on any Refunded Bonds or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for Redemption of the Refunded Bonds.

Dated this ___ day of _____, 2020.

CITY AND COUNTY OF SAN FRANCISCO

[NAME OF BANK], as Trustee

NOTICE OF INTENTION TO SELL

§ _____
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2020-R1

NOTICE IS HEREBY GIVEN that the City and County of San Francisco ("City") intends to offer for public sale on [Sale Date], at [Sale Time] a.m. (California time), the general obligation bonds captioned above ("Bonds") by electronic bids through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity").

The City reserves the right to postpone or cancel the sale of the Bonds 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 _____, 2020 ("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 _____, 2020 ("Preliminary Official Statement"), and the Official Notice of Sale, are expected to be available electronically at [Printer] on or around _____, 2020, and may also be obtained from the City's Municipal Advisors: [FIRM NAME TO COME] Failure of any bidder to receive such notice shall not affect the legality of the sale.

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: _____, 2020

OFFICIAL NOTICE OF SALE

\$ _____

**CITY AND COUNTY OF
SAN FRANCISCO
GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2020-R1**

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: _____, 2020*
(Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)

TIME: ____:00 a.m. *, California time

PLACE: Controller's Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336,
San Francisco, California 94102

DELIVERY DATE: _____, 2020*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

**§ _____
CITY AND COUNTY OF
SAN FRANCISCO
GENERAL OBLIGATION REFUNDING
BONDS,
SERIES 2020-R1**

NOTICE IS HEREBY GIVEN that electronic bids will be received 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 Refunding Bonds, Series 2020-R1 ("Bonds") 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 are described in the City's Preliminary Official Statement for the Bonds dated _____, 2020 ("Preliminary Official Statement").
- Time: Bids for the Bonds must be received electronically by __:00 a.m., California time, on _____, 2020 (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 ON _____, 2020* 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. 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:

- (i) [FA NAME]
- (ii)
- (iii) [FA NAME]

(collectively, "Municipal Advisors"), 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 amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; 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. 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, 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. 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 the Bonds (“Purchaser”). The Bonds will be dated the date of delivery, which is expected to be _____, 2020*. 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 June 15, 2020, and semi-annually thereafter on June 15 and December 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) the maximum interest rate bid for any maturity shall not exceed 6% per annum;
- (iii) no Bond shall bear a zero rate of interest;
- (iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and
- (v) all Bonds maturing at any one time shall bear the same rate of interest.

See the Preliminary Official Statement – “THE BONDS - Payment of Principal and Interest.”

Purchase Price: The purchase price of the Bonds shall not be less than ___%, nor greater than ___%, of the par amount of the Bonds.

Principal Payments of the 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 Bonds will mature as set forth below:

* Preliminary, subject to change.

Maturity Date (June 15)	Principal Amount*
—	\$[TO COME]

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 the Bonds after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds, in increments of \$5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to the Bonds shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for Bonds. Any such adjustment will not change the average per Bond dollar amount of the 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 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 the 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 THE 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 REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Optional Redemption: The Bonds maturing on or before June 15, 20__, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after June 15, 20__, shall be subject to redemption prior to their respective 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 the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

[The Bonds may also be redeemed in whole or in part at any time, from any moneys that may be provided for such purpose, at a redemption price for such Bonds to be redeemed determined by the Designated Investment Banker equal to the greater of (i) 100% of the principal amount of the Bonds to be redeemed, or (ii) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on each of Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds

* Preliminary, subject to change.

are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the applicable Treasury Rate plus 15 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.]

For additional information related to optional redemption, refer to the definitions under “THE BONDS – Optional Redemption” in the Preliminary Official Statement.

Mandatory Sinking Fund Redemption. Any bidder may, at its option, specify that one or more maturities of Bonds will consist of term bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof, as designated in the bid of such bidder, provided that no such term bond shall have a final maturity date of later than June 15, 20__ (first optional redemption date), if sinking fund redemptions with respect thereto commence on or prior to June 15, 20__. In the event that the bid of the successful bidder specifies that any maturity of Bonds will be a term bond, such term bond will be subject to mandatory sinking fund redemption on June 15 in each applicable year in the principal amount for such year as set forth above under the heading “MATURITIES,” at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

Legal Opinions and Tax Matters. Upon delivery of the Bonds, _____ and _____ (“Co-Bond Counsel”), will deliver their separate legal opinions as to the validity and enforceability and tax status 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 the Bonds shall be for par or more; no net discount bids for the Bonds will be accepted. No bid submitted at a price less than the aggregate par value of the Bonds will be considered. Individual maturities of Bonds may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the 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 the 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, legible 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, illegible 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 either of the Municipal Advisors at the numbers provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Municipal Advisors 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, illegible, 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 the 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 the 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 the Bonds or rejecting all bids for the 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 the Bonds:

(1) The Municipal Advisors, 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 Advisors and to the City's 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 Advisors 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 (“Certificate of Award”).

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the 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 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 the Bonds to the dated date of the 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 payment for any term 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 the Bonds at the same true interest cost, the City will determine by lot which bidder will be awarded the 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 the 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 the Bonds must provide to the City a good faith deposit in the amount of \$1,000,000 (“Good Faith Deposit”).

Upon the determination by the City of the Apparent Winning Bidder of the Bonds, the Municipal Advisors will (i) provide to the Apparent Winning Bidder 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 Advisors request the Apparent Winning Bidder to wire the Good Faith Deposit to the City, the Apparent Winning Bidder must wire the Good Faith Deposit to the City and provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisors. 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 Advisors within the time specified above, the City may reject the bid of the Apparent Winning Bidder and award the 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 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 Bonds purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Bonds, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the 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 the Bonds by the winning bidder, the City reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the 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 winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public 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 winning bidder, the City and Co-Bond Counsel.

(b) The City intends that Treasury Regulation Sections 1.148-1(f)(3)(i) (providing a special rule for competitive sales for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds ("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;
- (3) the City may receive bids for the Bonds 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 the Bonds to the bidder who submits a firm offer to purchase the Bonds 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 the Bonds as specified in the bid.

(c) If the competitive sale requirements are not satisfied, 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 the Bonds as the issue price of that maturity (“hold-the-offering-price rule”). The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.

(d) By submitting a bid for the Bonds, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds 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 Bonds, that the underwriters will neither offer nor sell unsold Series the Bonds of any maturity to which the hold-the-offering-price rule shall apply 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 of the Bonds 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 of the Bonds to the public at a price that is no higher than the 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 representation 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 such Bonds to the public, the agreement of each dealer who 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 such Bonds 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 the Bonds.

(f) By submitting a bid for the Bonds, 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 Bonds 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 Bonds of each maturity allotted to it 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 Bonds 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 the Bonds 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 Bonds of each maturity allotted to it 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 any Bonds to any person that is a related party to an underwriter 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 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 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),
- (iii) a purchaser of any of the Bonds 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” means the date that the Bonds are awarded by the City to the winning bidder.

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 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, 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 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 of the City will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 30 hours after the time for receipt of bids for the 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 the 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 ____, 2020*. Payment for the delivery of the Bonds shall be coordinated at the offices of _____, in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the 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, 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 the 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 the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. 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. The Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the purchased Bonds and tender the same for delivery within 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.

* Preliminary; subject to change.

CUSIP Numbers. The Municipal Advisors 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 refusal by the Purchaser to accept delivery of and pay for the 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 the Bonds.

Expenses of the Winning Bidder(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 winning bidder will be the responsibility of the winning bidder. 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 upon request to the Office of Public Finance or to either of the Municipal Advisors. (The contact information for the Municipal Advisors is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("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 business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of the Bonds must notify the City in writing within two (2) days of the sale of the Bonds if the 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 the Bonds, the Purchaser of the Bonds agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements; (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board; and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases the 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, the 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 Bonds, and (iii) the City authorizes the Purchaser to distribute copies of the final Official Statement in connection with the resale of the Bonds.

Purchaser's Certificate Concerning Official Statement. As a condition of delivery of Bonds, the Purchaser of the 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 the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the 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 from the City.

Dated: _____, 2020.

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)**

§ _____

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020-R1**

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 Refunding Bonds, Series 2020-R1 (“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. 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.

(d) *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 _____, 2020.

(e) *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 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 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 a tax certificate with respect to compliance with the federal income tax rules affecting the Bonds, and by _____ and _____, 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.

[NAME OF PURCHASER]

By: _____

Name: _____

Dated: [ISSUE DATE]

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)**

§ _____
**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020-R1**

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 who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who 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) 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.”

(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. 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 _____, 2020.

(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 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 1986, as amended, and 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 _____ and _____, 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.

[NAME OF PURCHASER]

By: _____

Name: _____

Dated: [ISSUE DATE]

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)

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2020

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of [Bond Counsel 1] and [Bond Counsel 2], Co-Bond Counsel to the City, [under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Co-Bond Counsel, under existing statutes, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein.]



**[\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1**

Dated: Date of Delivery

Due: June 15, as shown in the inside cover

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

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

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2020. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

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

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

MATURITY SCHEDULE
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to the respective legal opinions of [Bond Counsel 1], [], California, and [Bond Counsel 2], [], California, Co-Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Co-Disclosure Counsel to the City. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about April [], 2020.

* Preliminary, subject to change.

Hawkins Delafield & Wood LLP
Draft of 1/24/2020

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2020

J.P. Morgan

Loop Capital Markets

Morgan Stanley

Ramirez & Co., Inc.

Dated: March __, 2020

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE
 (Base CUSIP¹ Number: [____])

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

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

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

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

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

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

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

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

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

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

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, 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. The information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

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

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

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

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

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

[Bond Counsel 1]
[____], *California*

[Bond Counsel 2]
[____], *California*

Municipal Advisor

Montague DeRose and Associates, LLC
Walnut Creek, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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

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OFFICIAL STATEMENT

\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the “City”) of its General Obligation Refunding Bonds Series 2020-R1 (the “Bonds”). The Board of Supervisors of the City (the “Board of Supervisors”) at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See “SECURITY FOR THE BONDS.”

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The City estimates the City’s population in fiscal year 2018-19 to be 887,463.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology,

* Preliminary, subject to change.

retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising and higher education. The California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2018, approximately 25.8 million tourists visited the City, with total direct spending estimated at \$9.3 billion. Direct spending from conventions, trade shows and group meetings generated approximately \$707.6 million in 2018.

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2018-19 to be \$130,961. The average unemployment rate for fiscal year 2018-19 was 2.3%. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 14 transitional kindergarten schools, 64 elementary schools serving grades transitional kindergarten ("TK") -5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned and operated by the City, and is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2018-19, SFO serviced approximately 57 million passengers and handled 564,521 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's adopted budget for fiscal years 2019-20 and 2020-21 totals \$12.3 billion and \$12.0 billion, respectively. The General Fund portion of each year's adopted budget is \$6.1 billion in fiscal year 2019-20 and \$6.0 billion in fiscal year 2020-21, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). The City's budget for fiscal year 2019-20 and 2020-21 includes 37,907 and 38,122 budgeted and funded City positions, respectively. According to the Treasurer and Tax Collector, the fiscal year 2019-20 total net assessed valuation of taxable property in the City is approximately \$281.1 billion, which represents an increase in []% over fiscal year 2018-19.

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, 2019.”

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State, the Charter of the City (the “Charter”), and the Administrative Code of the City. The City authorized the issuance of the Bonds in Resolution No. [____], adopted by the Board of Supervisors on [____], 2020, and duly approved by the Mayor of the City on [____], 2020 (the “Resolution”).

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

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

Form and Registration

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

Payment of Interest and Principal

The City Treasurer will act as paying agent and registrar with respect to the Bonds. Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing June 15, 2020, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the City Treasurer as the registered owner thereof (the “Registered Owner”) as of the close of business on the last day of the month immediately preceding an interest payment date (the “Record Date”), whether or not such day is a business day. Each Bond authenticated on or before December 1, 2020, 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.

The Bonds will mature on the dates shown on the inside cover page hereof, and are subject to redemption prior to their respective stated maturity dates as provided herein. See “Redemption” below. The

principal of the Bonds will be payable in lawful money of the United States to the Registered Owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the City Treasurer.

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

Redemption

Optional Redemption

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

*Mandatory Redemption**

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

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

† Maturity

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

Selection of Bonds for Redemption

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

* Preliminary, subject to change.

Notice of Redemption

The City Treasurer will mail, or cause to be mailed, notice of any redemption of the Bonds, postage prepaid, to the respective Registered Owners thereof at the addresses appearing on the Bond registration books not less than 20 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, or (iii) overnight delivery service, 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" 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 respective portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bonds will cease to accrue after the designated Redemption Date. Any notice of redemption may be conditioned on the receipt of funds or any other event specified in the notice.

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

Effect of Notice of Redemption

When notice of optional redemption has been given, substantially as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal and accrued interest to the Redemption Date) is set aside for that purpose in the Redemption Account for the Bonds (the "Redemption Account") established under the Resolution, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the Registered Owners of such Bonds will look for payment of such Bonds only to such Redemption Account. All Bonds redeemed will be cancelled by the City Treasurer and will not be reissued. Moneys held in the Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

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

In addition, the City may rescind any optional redemption and notice thereof for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the Registered

Owner of all Bonds so called for redemption. Notice of such rescission of redemption will be given in the same manner notice of redemption was originally given. The actual receipt by the Registered Owner of any Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed will not affect the validity of the rescission.

Defeasance

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

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

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

"United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or

instrumentality of the United States of America which is selected by the Director of Public Finance and which is rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, by any two Rating Agencies not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

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

PLAN OF REFUNDING*

The Prior Bonds consist of the following outstanding general obligation bonds of the City:

Description of Bonds	Original Par Amount	Par Amount to be Refunded	Maturities to be Refunded	Par Amount to Remain Outstanding	Redemption Price	Redemption Date

Total

* Preliminary, subject to change.

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of \$[] plus amounts transferred from funds related to the Prior Bonds in the amount of \$[] will be deposited with the City Treasurer and will be applied to redeem all of the outstanding Prior Bonds on [], 2020. See “SOURCES AND USES OF FUNDS” herein.

SOURCES AND USES OF FUNDS

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

Sources

Principal Amount of Bonds
Original Issue Premium
Funds related to the Prior Bonds
Total Sources of Funds

Uses

Refunding of the Prior Bonds
Underwriter's Discount
Costs of Issuance⁽¹⁾
Total Uses of Funds

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

Deposit and Investment of Bond Proceeds

Any proceeds of the Bonds not needed for the redemption of the Prior Bonds will be transferred to the Bond Fund, and all taxes levied for payment of the Bonds will be deposited upon collection by the City into the Bond Fund, and such funds will be used for the payment of the principal of and interest on the Bonds (collectively, the "Debt Service"). The City Treasurer will transfer from the Bond Fund any amounts necessary to pay the Debt Service on the Bonds on each interest payment date. With the consent of the Director of Public Finance of the City, all moneys on deposit in the Costs of Issuance Fund twelve months after issuance of the Bonds will be transferred to the Bond Fund and applied to pay interest on the Bonds. All moneys held by the City Treasurer in the Bond Fund will be invested in any investment of the City in which moneys of the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in the Bond Fund with other City moneys for investment purposes only; provided, however, that all of the moneys held in the Bond fund will be accounted for separately notwithstanding any such commingling by the City Treasurer. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY." Any amounts on deposit in the Bond Fund when there are no longer any Bonds Outstanding will be transferred to the City's General Fund.

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DEBT SERVICE SCHEDULES

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

**City and County of San Francisco
General Obligation Refunding Bonds
Series 2020-R1**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest⁽¹⁾</u>	<u>Fiscal Year Total⁽¹⁾</u>
---------------------	------------------	-----------------	---	--

⁽¹⁾ Totals may not add due to rounding of components.

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

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

Fiscal Year Ending June 30,	Bonds	Total Debt Service Other Outstanding General Obligation Bonds⁽¹⁾	Fiscal Year Total
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⁽¹⁾ Shows debt service after the refunding of the Prior Bonds.

⁽²⁾ Totals may appear inconsistent due to rounding of components.

SECURITY FOR THE BONDS

General

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

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 Resolution, the City will pledge amounts in the Bond Fund for the payment of the principal of and interest on the Bonds when and as the same become due. See "Pledge" below.

Pledge

Pursuant to the Resolution, the City will pledge amounts in the Bond Fund for the payment of the principal of and interest on 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 Fund. See "Statutory Lien on Taxes (Senate Bill 222)" below.

Statutory Lien on Taxes (Senate Bill 222)

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

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City. Property tax revenues result

from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2019-20, the total net assessed valuation of taxable property (net of homeowner's exemption) within the City was approximately \$281.1 billion, which represents an increase in []% over fiscal year 2018-19. For additional information on the property taxation system, assessed values and appeals to assessed values, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation."

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

Of the \$281.1 billion total net assessed valuation of taxable property within the City, \$264.1 billion (93.9%) represents secured valuations and \$17.0 billion (6.1%) represents unsecured valuations. Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

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-7 of APPENDIX A attached hereto.

Tax Levy and Collection Process. Generally, property taxes levied by the City on real property becomes 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.

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 Reserve is as shown on Table A-8 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 2019-20 valuation of property assessed by the State Board of Equalization is \$3.7 billion.

CERTAIN RISK FACTORS

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 bonds. The net total assessed valuation of taxable property in the City in fiscal year 2019-20 is approximately \$281.1 billion. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – 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 or acts of terrorism, 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, 2019], no single assessee owned more than [0.647]% of the total taxable assessed value in the City. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – 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 – 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 2019-20 is approximately \$8.4 billion, based on a net total assessed valuation of approximately \$281.1 billion. As of [January 15, 2020], the City had outstanding approximately \$2.4 billion in aggregate principal amount of general obligation bonds, which equals approximately [0.8%] of the net assessed valuation for fiscal year 2019-20. 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 January 15, 2020, the City had voter approval to issue up to \$1.6 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 – General Obligation 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.

City Long-Term Financial Challenges

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

[Significant capital investments are proposed in the City’s adopted 10-year capital plan. The City’s most recent adopted 10-year capital plan sets forth \$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. Economic stabilization reserves have grown significantly during the last five fiscal years. The maximum combined value of the City’s Rainy Day Reserve and Budget Stabilization Reserve is 10% of General Fund revenues, or \$_____ million, given fiscal year 2019-20 revenues. Under the City’s current policy, once the 10% threshold is reached, excess amounts are deposited into a non-recurring expenditure reserve that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Based on current estimates, the City expects to deposit approximately \$_____ million into the non-recurring expenditure reserve in fiscal year [2019-20]. Notwithstanding the foregoing, the City expects that meeting the 10% adopted target level of reserves will not eliminate the need to cut expenditures in a recession to balance the City’s budget.

Lastly, as the United States economy approaches its longest period of economic expansion in history, macro-economic issues such as rising interest rates or volatile capital markets could cool economic growth and

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

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” and in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2019.”

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. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

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

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

income, and wages are at risk from major damage to the Seawall. See “Climate Change, Risk of Sea Level Rise and Flooding Damage” below.

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

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

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

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

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

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

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

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

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

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 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 that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

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

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

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

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 are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The City has specifically pledged the taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where the applicable bond proposition is

approved by at least two-thirds of the votes cast. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

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

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

State Law Limitations on Appropriations

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

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City’s ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the “Rim Fire”), which area included portions of the City’s Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O’Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco’s drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. SFPUC’s adopted fiscal year 2020-29 capital plan includes approximately [\$211] million for improvements to Mountain Tunnel to mitigate these vulnerabilities. Further, many areas of California suffered from wildfires in recent years, including the

Kincade Fire in late 2019 that burned approximately 78,000 acres in Sonoma County, California and the Camp Fire in late 2018 that burned over 153,300 acres in Butte County, California.

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

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

TAX MATTERS

[To come.]

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see “TAX MATTERS” herein) are subject to the separate legal opinions of [Bond Counsel 1] and [Bond Counsel 2], Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered at the time of original delivery of the Bonds.

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

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

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

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

misleading. No purchaser or holder of the Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Co-Disclosure Counsel's having acted in the role of disclosure counsel to the City.

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

PROFESSIONALS INVOLVED IN THE OFFERING

Montague DeRose and Associates, LLC, Walnut Creek, California, has served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor has assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Bonds. The Municipal Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes 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 from the City for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer will act 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.

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 2019-20, which is due not later than March 27, 2021, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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

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.spratings.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 or other actions of a rating agency may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

UNDERWRITING

The City has entered into a purchase contract with J.P. Morgan Securities LLC, on behalf of itself, Loop Capital Markets, Morgan Stanley & Co. LLC and Ramirez & Co., Inc. (collectively, the "Underwriters") pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at the purchase price of \$ _____ (being the principal amount of the Bonds of \$ _____, plus original issue premium of \$ _____ and less an Underwriters' discount of \$ _____). The Underwriters are obligated under the purchase contract to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold by the Underwriters to certain dealers and others at yields lower than the public offering yield indicated on the inside cover page hereof, and such public offering yield may be changed, from time to time, by the Underwriters.

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley & Co. LLC, an Underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as

a contract or agreement between the City and the purchasers or Registered Owners and beneficial owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

APPENDIX A
CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2019***

* The Comprehensive Annual Financial Report may be viewed online or downloaded from the City Controller's website at <http://www.sfgov.org/controller>.

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are issued pursuant to Resolution No. [_____] adopted by the Board of Supervisors of the City on [_____] , 2020, and duly approved by the Mayor of the City on [_____] , 2020 (the "Resolution"). The City covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which is June 30), commencing with the report for the 2019-20 fiscal year (which is due not later than March 27, 2021), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

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

16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(13) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

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

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

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

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

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

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

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

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

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

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

Date: _____

CITY AND COUNTY OF
SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

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

Name of City: CITY AND COUNTY OF SAN FRANCISCO
Name of Bond Issue: CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2020-R1
Date of Issuance: [____], 2020

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 [____], 2020. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

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

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix E. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this Appendix E, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the City Treasurer, acting as the Paying Agent.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. The information presented on each website is *not* incorporated by reference as part of this Official Statement.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the

Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer and exchange of the Bonds.

Payment of the interest on any Bond shall be made by check mailed on the interest payment date to the Registered Owner at such owner's address as it appears on the registration books described below as of the Record Date (as defined herein).

The City Treasurer will 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, sufficient books for the registration and transfer of the Bonds, which 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 said books, Bonds as described herein.

Any Bond may, in accordance with its terms, be transferred, upon the registration books described above, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Bonds may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same series, interest rate and maturity.

Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the designated City officials shall execute and the City Treasurer shall authenticate and deliver a new Bond or Bonds of the same series, interest rate and maturity, for 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 Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in this Official Statement) 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 Bond.

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

Board of Supervisors
City and County of San Francisco
San Francisco, California

Re: \$_____ City and County of San Francisco General Obligation Refunding Bonds, Series
2020-R1

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of January 15, 2020.

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

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

The information 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.

The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to make an informed investment decision.

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CITY GOVERNMENT

City Charter

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

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

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

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

Power Project), the Municipal Transportation Agency (“MTA”) (which operates the San Francisco Municipal Railway or “Muni” and the Department of Parking and Traffic (“DPT”), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the “enterprise fund departments,” as they are not integrated into the City’s General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, receive annually significant General Fund transfers.

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

Mayor

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City’s history. Mayor Breed was elected on the June 4, 2018 special election to serve until January 2020, fulfilling the remaining term of the late Mayor Edwin Lee. In November 2019 Mayor Breed was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco 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.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO		
Board of Supervisors		
Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, <i>District 1</i>	2017	2021
Catherine Stefani, <i>District 2</i>	2018	2023
Aaron Peskin, <i>District 3</i>	2017	2021
Gordon Mar, <i>District 4</i>	2019	2023
Dean Peterson, <i>District 5</i>	2019	2020
Matt Haney, <i>District 6</i>	2019	2023
Norman Yee, Board President, <i>District 7</i>	2017	2021
Rafael Mandelman, <i>District 8</i>	2018	2023
Hillary Ronen, <i>District 9</i>	2017	2021
Shamann Walton, <i>District 10</i>	2019	2023
Ahsha Safai, <i>District 11</i>	2017	2021

Other Elected and Appointed City Officers

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

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

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

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

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of

Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

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

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately \$12.3 billion, of which the City's General Fund accounts for approximately \$6.1 billion. In fiscal year 2020-21 appropriated revenues, fund balance, transfers and reserves total approximately \$12.0 billion, of which \$6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016-17 through 2018-19 and the Original Budgets for fiscal years 2019-20, and 2020-21. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 and 2020-21 adopted budgets, see "City Budget Adopted for Fiscal Years 2019-20 and 2020-21" herein.

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TABLE A-2

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

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Final Revised Budget ⁶	2019-20 Original Budget ⁷	2020-21 Original Budget ⁷
Prior-Year Budgetary Fund Balance & Reserves	\$1,526,830	\$1,999,334	\$2,342,082	\$299,880	\$285,152
<u>Budgeted Revenues</u>					
Property Taxes ¹	\$1,412,000	\$1,557,000	\$2,142,727	\$1,956,008	\$1,852,000
Business Taxes	669,450	750,820	879,414	1,050,620	1,095,900
Other Local Taxes ²	1,126,245	1,112,570	1,053,390	1,144,376	1,118,372
Licenses, Permits and Franchises	28,876	29,964	30,794	30,431	31,154
Fines, Forfeitures and Penalties	4,671	4,579	3,131	3,125	3,127
Interest and Investment Earnings	13,971	18,615	20,323	76,590	86,590
Rents and Concessions	15,855	14,089	14,896	15,141	15,371
Grants and Subventions	978,252	965,549	1,072,205	1,088,615	1,084,379
Charges for Services	235,491	242,842	263,340	245,222	246,654
Other	58,776	40,130	268,855	69,424	42,065
Total Budgeted Revenues	\$4,543,587	\$4,736,158	\$5,749,075	\$5,679,551	\$5,575,612
Bond Proceeds & Repayment of Loans	\$881	\$110	\$87	-	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,266,148	\$1,316,870	\$1,390,266	\$1,493,084	\$1,539,026
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755	199,604
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587	1,194,858
Community Health	763,496	832,663	967,113	950,756	943,066
Culture and Recreation	139,473	142,081	154,056	173,969	179,282
General Administration & Finance	252,998	259,916	290,274	596,806	465,707
General City Responsibilities ³	134,153	114,219	172,028	193,971	213,545
Total Expenditure Appropriations	\$3,700,689	\$3,951,771	\$4,309,557	\$4,800,929	\$4,735,089
Budgetary reserves and designations, net	\$9,868	\$0	\$0	29,880	\$20,451
Transfers In	\$246,779	\$232,032	\$239,056	163,455	152,960
Transfers Out ⁴	(857,528)	(1,009,967)	(1,468,021)	(1,312,077)	(1,258,185)
Net Transfers In/Out	(\$610,749)	(\$777,935)	(\$1,228,965)	(\$1,148,622)	(\$1,105,225)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	\$1,749,993	\$2,005,897	\$2,552,722	-	-
Variance of Actual vs. Budget	249,475	336,422	374,136	-	-
Total Actual Budgetary Fund Balance⁵	\$1,999,468	\$2,342,319	\$2,553,096	-	-

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. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.

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

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

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

⁵ Fiscal year 2016-17 through fiscal year 2018-19 Final Revised Budget reflects prior year actual budgetary fund balance. Fiscal years 2019-20 through 2020-21 Original Budget reflects budgeted use of fund balance and reserve.

⁶ FY 2018-19 Final Revised Budget updated from FY 2018-19 CAFR.

⁷ FY 2019-20 & FY 2020-21 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

Budget Process

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

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

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

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

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

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.
2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent 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 3, 2020, for fiscal year 2020-21 through fiscal year 2023-24. See "Five Year Financial Plan" section below.
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies include:
 - Non-Recurring Revenue Policy - This policy limits the Mayor'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.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve below.
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.

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 will issue the first of these reports, the fiscal year 2019-20 Six Month Report (the "Six Month Report"), in February 2020. 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. All of these reports are available from the Controller's website: www.sfcontroller.org.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2018-19, was issued on December 31, 2019. The fiscal year 2018-19 CAFR reported that as of June 30, 2019, the General Fund fund balance available for appropriation in subsequent years was \$812.7 million (see Table A-4), which represents a \$196.1 million increase in available fund balance from the \$616.6 million available as of June 30, 2018. This increase resulted primarily from greater-than-budgeted property tax revenue given unanticipated Excess ERAF allocations, real property transfer tax revenue, and operating surpluses at the Department of Public Health, which was partially offset by under-performance in business tax revenues in fiscal year 2018-19. Of the \$812.7 million General Fund balance, \$210.6 million was assumed in the fiscal year 2019-20 Original Budget and \$285.2 million was assumed in the fiscal year 2020-21 Original Budget.

The audited General Fund fund balance as of June 30, 2019 was \$2.7 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$5.9 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2015 through June 30, 2019. See Note 10 of the CAFR for additional information on fund balances and reserves.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2014-15 through 2018-19¹
(000s)

	2014-15	2015-16	2016-17	2017-18	2018-19
Restricted for rainy day (Economic Stabilization account) ²	\$71,904	\$74,986	\$78,336	\$89,309	\$229,069
Restricted for rainy day (One-time Spending account) ²	43,065	45,120	47,353	54,668	95,908
Committed for budget stabilization (citywide) ³	132,264	178,434	323,204	369,958	396,760
Committed for Recreation & Parks savings reserve ⁴	10,551	8,736	4,403	1,740	803
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$137,641	\$190,965	\$244,158	\$345,596	\$351,446
Assigned for appropriation carryforward	201,192	293,921	434,223	423,835	496,846
Assigned for budget savings incentive program (Citywide) ⁴	33,939	58,907	67,450	73,650	86,979
Assigned for salaries and benefits ⁵	20,155	18,203	23,051	23,931	28,965
Total Fund Balance Not Available for Appropriation	\$650,711	\$869,272	\$1,222,178	\$1,382,687	\$1,686,776
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies ⁵	\$131,970	\$145,443	\$136,080	\$235,925	\$186,913
Assigned for subsequent year's budget	180,179	172,128	183,326	188,562	210,638
Unassigned for General Reserve ⁶	62,579	76,913	95,156	106,878	130,894
Unassigned - Budgeted for use second budget year	194,082	191,202	288,185	223,251	285,152
Unassigned - Contingency for second budget year	-	60,000	60,000	160,000	308,000
Unassigned - Available for future appropriation	16,569	11,872	14,409	44,779	8,897
Total Fund Balance Available for Appropriation	\$585,379	\$657,558	\$777,156	\$959,395	\$1,130,494
Total Fund Balance, Budget Basis	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082	\$2,817,270
Unrealized gain or loss on investments	1,141	343	(1,197)	(20,602)	16,275
Nonspendable fund balance	24,786	522	525	1,512	1,259
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(36,008)	(38,469)	(25,495)	(23,793)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(50,406)	(56,709)	(83,757)	(68,958)	(87,794)
Deferred Amounts on Loan Receivables	(23,212)	-	-	-	-
Pre-paid lease revenue	(5,900)	(5,816)	(5,733)	(6,598)	(6,194)
Total Fund Balance, GAAP Basis	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023

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

¹ Fiscal year 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

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

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

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

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

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

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

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

Rainy Day Reserve

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

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

Fiscal year 2018-19 revenue generated a deposit of \$139.8 million to the City Reserve and \$41.2 million to the Rainy Day One-Time Reserve. The FY 2018-19 ending balances are \$229.1 million and \$95.9 million, respectively, as shown in Table A-3. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be 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.

Fiscal year 2018-19 revenue generated an overall deposit of \$26.8 million to the combined Budget Stabilization Reserve and Budget Stabilization One-Time Reserve. Because the City's combined Rainy Day Economic Stabilization Reserve and Budget Stabilization Reserve exceeds 10% of General Fund revenues for fiscal year 2018-19, the Budget Stabilization Reserve balance is capped in fiscal year 2018-19 at \$359.3

million and the City deposited the amount exceeding the cap, \$37.4 million, in the Budget Stabilization One-Time Reserve. Table A-3 reflects the sum of the Budget Stabilization Reserve and 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.

General Reserve

The City maintains a General Reserve, shown as “Unassigned for General Reserve” in the “assigned and unassigned, available for appropriation” section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City’s General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve was \$106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, \$20.4 was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of \$127.3 million. In fiscal year 2018-19, Table A-3 includes \$3.6 million other reserve-type appropriations.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the “Budget Savings Incentive Fund,” as shown with note 4 of the “assigned, not available for appropriation” section of Table A-3. In fiscal year 2018-19, the Recreation and Parks Savings Reserve has a balance of \$0.8 million and the Citywide Budget Savings Incentive Reserve has a balance of \$87.0 million.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through Controller’s Office review and approval process. These are shown with note 5 in the “assigned, not available for appropriation,” and “assigned and unassigned, available for appropriation” sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of \$29.0 million as of FY 2018-19), and the Litigation and Public Health Management Reserve (balance of \$186.9 million in FY 2018-19).

Operating Cash Reserve

Not shown in Table A-3, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City’s operating cash reserve from any

unencumbered funds then held in the City's pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

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

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
Fiscal Years 2014-15 through 2018-19²
(000s)

	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues:					
Property Taxes ³	\$1,272,623	\$1,393,574	\$1,478,671	\$1,673,950	\$2,248,004
Business Taxes	609,614	659,086	700,536	897,076	917,811
Other Local Taxes	1,085,381	1,054,109	1,203,587	1,093,769	1,215,306
Licenses, Permits and Franchises	27,789	27,909	29,336	28,803	27,960
Fines, Forfeitures and Penalties	6,369	8,985	2,734	7,966	4,740
Interest and Investment Income	7,867	9,613	14,439	16,245	88,523
Rents and Concessions	24,339	46,553	15,352	14,533	14,460
Intergovernmental	854,464	900,820	932,576	983,809	1,069,349
Charges for Services	215,036	233,976	220,877	248,926	257,814
Other	9,162	22,291	38,679	24,478	46,254
Total Revenues	\$4,112,644	\$4,356,916	\$4,636,787	\$4,989,555	\$5,890,221
Expenditures:					
Public Protection	\$1,148,405	\$1,204,666	\$1,257,948	\$1,312,582	\$1,382,031
Public Works, Transportation & Commerce	87,452	136,762	166,285	223,830	202,988
Human Welfare and Neighborhood Development	786,362	853,924	956,478	999,048	1,071,309
Community Health	650,741	666,138	600,067	706,322	809,120
Culture and Recreation	119,278	124,515	139,368	142,215	152,250
General Administration & Finance	208,695	223,844	238,064	244,773	267,997
General City Responsibilities	98,620	114,663	121,444	110,812	144,808
Total Expenditures	\$3,099,553	\$3,324,512	\$3,479,654	\$3,739,582	\$4,030,503
Excess of Revenues over Expenditures	\$1,013,091	\$1,032,404	\$1,157,133	\$1,249,973	\$1,859,718
Other Financing Sources (Uses):					
Transfers In	\$164,712	\$209,494	\$140,272	\$112,228	\$104,338
Transfers Out	(873,741)	(962,343)	(857,629)	(1,010,785)	(1,468,971)
Other Financing Sources	5,572	4,411	1,765	-	-
Other Financing Uses	-	-	-	(178)	(3)
Total Other Financing Sources (Uses)	(\$703,457)	(\$748,438)	(\$715,592)	(\$898,735)	(\$1,364,636)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$309,634	\$283,966	\$441,541	\$351,238	\$495,082
Total Fund Balance at Beginning of Year	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941
Total Fund Balance at End of Year -- GAAP Basis	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941	\$2,717,023
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$234,273	\$249,238	\$273,827	\$286,143	\$326,582
-- Budget Basis	\$390,830	\$435,202	\$545,920	\$616,592	\$812,687

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

² Fiscal year 2019-20 will be available upon release of the fiscal year 2019-20 CAFR.

³ 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.

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

Five-Year Financial Plan

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

On January 3, 2020, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller’s Office issued the Plan update for fiscal years 2020-21 through 2023-24, which projected cumulative annual shortfalls of \$195.4 million, \$224.1 million, \$531.1 million, and \$630.6 million, for fiscal years 2020-21 through 2023-24, respectively.

The Plan projects growth in General Fund revenues over the forecast period of 6.9%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 17.2% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City projects growth in General Fund sources of \$423.6 million over the Plan period, and expenditure growth of \$1.05 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 2020-21 through 2023-24					
(\$millions)					
	2020-21 ¹	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	\$89.0	\$346.0	\$289.4	\$423.6	
Uses:					
Baselines & Reserves	(\$45.5)	(\$54.0)	(\$127.1)	(\$163.3)	15.5%
Salaries & Benefits	(167.9)	(269.6)	(338.5)	(407.5)	38.7%
Citywide Operating Budget Costs	(66.9)	(167.8)	(235.0)	(314.6)	29.8%
Departmental Costs	(3.9)	(78.8)	(119.9)	(168.8)	16.0%
Total Uses - (Increase) / Decrease:	(\$284.3)	(\$570.1)	(\$820.5)	(\$1,054.2)	100.0%
Projected Cumulative Surplus / (Shortfall):	(\$195.4)	(\$224.1)	(\$531.1)	(\$630.6)	

These figures incorporate the following key assumptions:

- Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS’ fiscal year 2018-19 results, projected employer contribution rates assume a 8.0% rate of return on SFERS investments, 0.6% above the actuarially assumed rate of return of 7.4%. This better-than-expected return triggers an on-going supplemental COLA payment to certain retirees, which increases employer contributions in FY 2020-21. The Plan does not assume any changes to existing funding policy and amortizes the 2019 supplemental COLA over five years per current policy.
- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** The Plan assumes the additional salary and benefit costs for previously negotiated, closed

labor agreements. Police and Firefighters' unions have closed MOUs through FY 2020-21. Miscellaneous unions have closed MOUs through FY 2021-22. In open contract years, this report projects salary increases equal to the change in CPI. This corresponds to 3.38% for FY 2021-22, 2.94% for FY 2022-23, and 2.90% for FY 2023-24.

- **Property Tax Shifts:** The FY 2019-20 General Fund budget anticipates the City will receive "Excess ERAF" property tax allocations. This Plan assumes that the City will also receive Excess ERAF revenues in FY 2020-21, and in accordance with legislation adopted by the Mayor and Board of Supervisors will allocate at least 50% of these revenues to one-time purposes and 50% to affordable housing expenditures. Given these assumptions of revenue and equally offsetting expenditures, there is no net impact on the General Fund shortfall projections. Given both uncertainty regarding the timing and volatility of these revenues and the potential for State changes to funding levels for K-12 and community college districts, the projections do not include receipt of Excess ERAF revenues in years after FY 2020-21.

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

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

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

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

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

Other Budget Updates

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

[BUDGETARY RISKS] – to be updated

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

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

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

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

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

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

Impact of the State of California Budget on Local Finances

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

On January 10, 2020, the Governor proposed the Fiscal Year 2020-21 State Budget (the "2020-21 State Budget"), appropriating \$222.2 billion from the State's General Fund and other State funds. In the 2020-21 State Budget, General Fund appropriations total \$153.1 billion, and allocates \$6 billion in discretionary resources to reserves and a variety of one-time and ongoing programs. The largest one-time spending proposal is \$750 million to address homelessness through the State Department of Social Services. Ongoing spending proposals include approximately \$200 million for the Medi-Cal Healthier California for All to fund additional non-health care services, such as intensive care management and temporary housing services. The effect of these proposals on the City's budget, if any, are likely positive but very modest.

Impact of Federal Government on Local Finances

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

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

[THE SUCCESSOR AGENCY] – to be updated

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 Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the “Major Approved Development Projects”). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects. The Successor Agency also issues community facilities district (“CFD”) bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

GENERAL FUND REVENUES

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

[PROPERTY TAXATION] – to be updated

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of

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

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCE), 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-32: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

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

The percent collected of property tax (current year levies excluding supplemental) was 99.3% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 86 for fiscal year 2018-19 compared to 111 for fiscal year 2017-18. The number of trustee deeds recorded in fiscal years 2016-17, 2015-16, 2014-15, 2013-14, 2012-13 and 2011-12 were 92, 212, 102, 187, 363, and 804 respectively.

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TABLE A-6

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

Fiscal Year	Net Assessed Valuation (NAV) ¹	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307 ⁴	8.4%	1.180	3,316,946	N/A	N/A

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

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

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

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

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

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

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic

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

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2018-19 are listed in Table A-7 below.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2018-19
(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

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

As of July 1, 2019 the Assessor granted 2,546 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of \$244.01 million (using the 2018-19 tax rate of 1.163% this equates to a reduction of approximately \$2.84 million in General Fund taxes), compared to July 1, 2018, when the Assessor granted 4,719 temporary reductions in property assessed values worth a total of \$278.16 million (equating to a reduction of approximately \$3.25 million in General Fund taxes). Of the 2,546 total reductions, 569 temporary reductions were granted for residential or commercial properties. The remaining 1,977 reductions were for timeshares. The July 2019 temporary reductions of \$244.0 million represents 0.09% of the fiscal year 2019-20 Net Assessed Valuation of \$281.1 billion shown in Table A-6. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2019, the total number of open appeals before the AAB was 740, compared to 1,001 open AAB appeals as of June 30, 2018. As of June 30, 2019, there were 1,253 new applications filed during fiscal year 2018-19, compared to 1,636 new applications filed during the same period (June 30, 2018) of fiscal year 2017-18. Also, the difference between the current assessed value and the taxpayer's opinion of

values for all the open appeals is \$14.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about \$174.1 million would result. The General Fund's portion of that potential \$174.1 million would be approximately \$83.2 million.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals 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 is 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 2018-19 were \$2.2 billion, representing an increase of \$574.1 million (34.3%) over fiscal year 2017-18 actual revenue, due to recognition of three years' excess ERAF revenue (fiscal years 2016-17, 2017-18, and 2018-19) in one year. The fiscal year 2019-20 excess ERAF amount budgeted in the General Fund is \$185.0 million. 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 October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

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TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2018-19
(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

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-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

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

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

¹Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year.

TAV includes land & improvements, personal property, and fixtures.

²The 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).

³Nonprofit organization that is exempt from property taxes.

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

Taxation of State-Assessed Utility Property

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

OTHER CITY TAX REVENUES

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

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

Business Taxes

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

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

Business tax revenue in fiscal year 2018-19 is \$919.6 million (all funds), representing an increase of \$20.4 million (2.3%) from fiscal year 2017-18. Business tax revenue is budgeted at \$1,072.7 million in fiscal year 2019-20 representing an increase of \$153.2 million (16.7%) over fiscal year 2018-19 revenue. Business tax

revenue is budgeted at \$1,098.0 million in fiscal year 2020-21 representing an increase of \$25.3 million (2.4%) over the fiscal year 2019-20 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 as these are special purpose taxes deposited outside the General Fund.

TABLE A-10

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

Fiscal Year ¹	Revenue	Change	
2015-16	\$660,926	\$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19	919,552	20,410	2.3%
2019-20 <i>budgeted</i> ²	1,072,720	153,168	16.7%
2020-21 <i>budgeted</i> ²	1,098,000	25,280	2.4%

¹ Figures for fiscal years 2015-16 through 2018-19 are audited actuals.

Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.

² Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue in fiscal year 2018-19 ended at \$414.3 million, an increase of \$27.4 million (7.1%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be \$427.1 million, representing growth of \$12.7 million (3.1%). In fiscal year 2020-21, hotel tax revenue is budgeted to be \$435.6 million, an increase of \$8.5 million (2.0%) from fiscal year 2019-20 budget. The budget reflects growing but moderate projected Revenue per available room (RevPAR). Budgeted hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately \$3 to \$5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately \$16 to \$34 million of hotel tax is allocated for arts and cultural programs.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year ²	Tax Rate	Revenue	Change
2015-16	14.0%	\$392,686	(\$6,678) -1.7%
2016-17	14.0%	375,289	(17,397) -4.4%
2017-18	14.0%	387,006	11,716 3.1%
2018-19	14.0%	414,344	27,338 7.1%
2019-20 budgeted ³	14.0%	427,080	12,737 3.1%
2020-21 budgeted ³	14.0%	435,622	8,542 2.0%

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

² Figures for fiscal year 2015-16 through fiscal year 2018-19 are audited actuals.

³ Figures for fiscal year 2019-20 and FY2020-21 are Original Budget amounts.

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 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 2018-19 is \$364.0 million, an \$83.6 million (29.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be \$296.1 million, \$68.0 million (18.7%) less than fiscal year 2018-19 and fiscal year 2020-21 RPTT revenue is budgeted to be \$253.4 million, \$42.6 million (14.4%) less than projected fiscal year 2019-20. The declines are due to the assumption that RPTT collections will return to their historic average by FY 2020-21. The entirety of RPTT revenue goes to the General Fund.

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TABLE A-12

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

Fiscal Year ¹	Revenue	Change	
2015-16	\$269,090	(\$45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19	364,044	83,628	29.8%
2019-20 <i>budgeted</i> ²	296,053	(67,991)	-18.7%
2020-21 <i>budgeted</i> ²	253,420	(42,633)	-14.4%

¹ Figures for fiscal year 2015-16 through 2018-19 are audited actuals.

² Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

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

Sales and Use Tax

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

The components of San Francisco’s 8.5% sales tax rate are shown in table A-13 below. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

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TABLE A-13

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 2018-19 is \$213.6 million, \$20.7 million (10.7%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be \$204.1 million, a decrease of \$9.5 million (4.5%) from fiscal year 2018-19, due to one-time prior year payments received in fiscal year 2018-19. Fiscal year 2020-21 revenue is budgeted to be \$206.0 million, an increase of \$1.9 million (1.0%) from fiscal year 2019-20 budget. The entirety of sales tax revenue is deposited in the General Fund.

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

Table A-14 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21. The fiscal year 2015-16 figure include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

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TABLE A-14

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

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2015-16	8.75%	0.75%	\$167,915	\$27,769	19.8%
2015-16 adj. ²	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19	8.50%	1.00%	213,625	20,679	10.7%
2019-20 <i>budgeted</i> ³	8.50%	1.00%	204,085	(9,540)	-4.5%
2020-21 <i>budgeted</i> ³	8.50%	1.00%	206,028	1,943	1.0%

¹ Figures for fiscal year 2015-16 through fiscal year 2018-19 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

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

³ Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- Access Line Tax ("ALT") – A charge of \$3.64 on every telecommunications line, \$27.35 on every trunk line, and \$492.32 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.
- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.
- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.
- Stadium Admission Tax – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any

event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).
- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

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

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO						
Other Local Taxes						
Fiscal Years 2015-16 through 2020-21						
General Fund						
(000s)						
Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Actuals	2019-20 Budget	2020-21 Budget
Utility Users Tax	\$98,651	\$101,203	\$94,460	\$93,918	\$98,710	\$99,890
Access Line Tax	43,617	46,530	51,255	48,058	48,910	50,280
Parking Tax	86,012	84,278	83,484	86,020	83,000	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,098	16,000	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,215	5,500	5,500
Cannabis Tax	N/A	N/A	N/A	N/A	3,000	7,250
Franchise Tax	16,823	17,130	16,869	15,786	17,650	17,830

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

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INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. 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-16 reflects the City's actual receipts for fiscal years 2015-16 through 2018-19 and budgeted receipts for fiscal year 2019-20 and 2020-21.

Table A-16

CITY AND COUNTY OF SAN FRANCISCO						
Selected State Subventions - All Funds						
Fiscal Years 2015-16 through 2020-21						
(\$millions)						
Tax	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actuals	Actuals	Actuals	Actuals	Budget ¹	Budget ¹
Health and Welfare Realignment						
General Fund	\$176.3	\$192.1	\$197.9	\$217.6	\$221.0	\$224.8
Hospital Fund	52.2	66.1	57.3	58.5	59.1	59.1
Total - Health and Welfare	\$228.5	\$258.2	\$255.2	\$276.1	\$280.1	\$283.9
Public Safety Realignment (General Fund)	\$39.8	\$35.5	\$37.4	\$39.4	\$42.1	\$42.8
Public Safety Sales Tax (Prop 172) (General Fund)	\$97.0	\$100.4	\$104.8	\$107.6	\$104.6	\$106.9

Notes

¹ Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

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

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-17 below:

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO					
Expenditures by Major Service Area					
Fiscal Years 2016-17 through 2020-21					
(000s)					
Major Service Areas	2016-17	2017-18	2018-19	2019-20	2020-21
	Final Budget	Final Budget	Final Budget	Original Budget	Original Budget
Public Protection	\$1,266,148	\$1,316,870	\$1,390,266	\$1,493,084	\$1,539,026
Human Welfare & Neighborhood Development	978,126	1,047,458	1,120,892	1,183,587	1,194,858
Community Health	763,496	832,663	967,113	950,756	943,066
General Administration & Finance	252,998	259,916	290,274	596,806	465,707
Culture & Recreation	139,473	142,081	154,056	173,969	179,282
General City Responsibilities	134,153	114,219	172,028	193,971	213,545
Public Works, Transportation & Commerce	166,295	238,564	214,928	208,755	199,604
Total*	\$3,700,689	\$3,951,771	\$4,309,557	\$4,800,929	\$4,735,089

*Total may not add due to rounding

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

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

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-18 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 and fiscal year 2020-21 budget was finally adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

TABLE A-18

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

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

[EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS] – to be updated

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.6 billion in the fiscal year 2019-20 Original Budget (all funds), and \$5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.6 billion in the fiscal year 2019-20 Original Budget and \$2.8 billion in the fiscal year 2020-21 Original Budget.

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

[Labor Relations] – to be updated

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

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

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

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

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

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

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

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TABLE A-19

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

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

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

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

[San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")] – to be updated

History and Administration

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

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

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

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

Membership

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

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

Table A-20 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2014 through July 1, 2018.

TABLE A-20

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

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

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

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

Funding Practices

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

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

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

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each

union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

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

Employer Contribution History and Annual Valuations

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

Table A-21 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2013-14 through 2017-18. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-21

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

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

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

Sources: SFERS' audited year-end financial statements and required supplemental information.

SFERS' annual Actuarial Valuation Report dated July 1st.

See <http://mysfers.org/resources/publications/>. The information on such website is not incorporated 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 2018, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to six basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAs that have 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-21A 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-21A

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

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

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

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

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

Asset Management

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

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

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the

Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

2011 Voter Approved Changes to the Retirement Plan

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

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

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between \$50,000 and \$100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn \$100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and
4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

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

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

In August 2012, 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.

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

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

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

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates

determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The estimated total employer contributions to CalPERS was \$31.8 million in fiscal year 2016-17, \$34.8 million in fiscal year 2017-18, and \$39.4 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18 and 2018-19 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2018. 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] – to be updated

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 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, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1750. 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 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 Health Service Trust Fund. However, the City has been funding a 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 Trust Fund for retirees.

For unions representing approximately 93.3% of City employees, rather than applying the “average contribution” to determine the amount the City is required to contribute for active employees, a percentage-based employee premium contribution formula was negotiated through collective bargaining. The long-term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City’s contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) (“Nonemployee City Beneficiaries”) are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under “– *Post Employment Health Care Benefits.*”

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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 are:

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

- **Health Insurance Tax (“HIT”)**

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019. The HIT is in effect in 2020 and substantially impacted rates.

- **Medical Device Excise Tax**

The ACA’s medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax applied to all managed care plans which include the City’s Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2. Statutes 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The FY 2019-20 State budget included language that may reinstate the tax upon approval by the State legislator and the Federal Centers for Medicare and Medicaid Services.

Employer Contributions for San Francisco Health Service System Benefits

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

The 2019 aggregate (employee and employer) cost of benefits offered by SFHSS to the City increased by 2.47%, which is below national trends of 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 2020 aggregate cost of benefits offered by SFHSS to the City increased 4.6% 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 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 will reach 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, 2018 is approximately \$240.1 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] – to be updated

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 June 30, 2016, the most recent actuarial valuation date, which was updated to June 30, 2017, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 4.5%. As of June 30, 2018, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$3.39 billion and the ratio of the Net OPEB liability to the covered payroll was 109.5%.

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. See Note 9(b) and the Required Supplementary Information to the City's CAFR, as of June 30, 2018. Five-year trend information is displayed in Table A-22.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2013-14 to 2017-18
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2013-14	\$353,251	47.2%	\$1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18	355,186	57.4%	3,717,209 ¹

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-23 provides a six-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a “pay-as-you-go” approach was used by the City for health care benefits.

Table A-23 below provides a summary of the City’s employee benefit actual and budgeted costs from fiscal year 2015-16 to fiscal year 2020-21.

TABLE A-23

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

	2015-16 Actual ¹	2016-17 Actual ¹	2017-18 Actual ¹	2018-19 Actual ¹	2019-20 Budget ⁴	2020-21 Budget ⁴
SFERS and PERS Retirement Contributions	\$531,821	\$554,956	\$621,055	\$650,011	\$733,385	\$799,404
Social Security & Medicare	184,530	196,914	\$212,782	\$219,176	\$229,342	\$238,401
Health - Medical + Dental, active employees ²	421,864	459,772	\$501,831	\$522,006	\$525,511	\$553,208
Health - Retiree Medical ²	158,939	165,822	\$178,378	\$186,677	\$195,607	\$212,584
Other Benefits ³	20,827	21,388	\$44,564	\$26,452	\$23,308	\$46,748
Total Benefit Costs	\$1,317,981	\$1,398,852	\$1,558,609	\$1,604,322	\$1,707,153	\$1,850,345

¹ Fiscal year 2015-16 through fiscal year 2018-19 figures are audited actuals.

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

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

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

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. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of December 31, 2019, the City's surplus investment fund consisted of the investments classified in Table A-24 and had the investment maturity distribution presented in Table A-25.

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TABLE A-24

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

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	\$1,860,000,000	\$1,866,660,783	\$1,869,772,750
Federal Agencies	5,183,190,000	5,180,011,094	5,200,744,699
State and Local Obligations	80,731,641	80,301,528	81,140,798
Public Time Deposits	35,000,000	35,000,000	35,000,000
Negotiable Certificates of Deposit	2,724,290,000	2,724,534,810	2,726,425,072
Commercial Paper	1,055,000,000	1,043,981,165	1,048,178,220
Medium Term Notes	25,000,000	24,979,200	25,060,500
Money Market Funds	691,741,310	691,741,310	691,741,310
Supranationals	777,135,000	772,257,762	778,497,788
Total	\$12,432,087,950	\$12,419,467,653	\$12,456,561,135

December Earned Income Yield: 2.024%

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

TABLE A-25

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

Maturity in Months	Par Value	Percentage
0 to 1	\$1,477,411,310	11.88%
1 to 2	660,000,000	5.31%
2 to 3	850,710,000	6.84%
3 to 4	635,500,000	5.11%
4 to 5	373,750,000	3.01%
5 to 6	666,575,000	5.36%
6 to 12	2,465,985,000	19.84%
12 to 24	3,067,491,641	24.67%
24 to 36	1,205,620,000	9.70%
36 to 48	100,000,000	0.80%
48 to 60	929,045,000	7.47%
	\$12,432,087,951	100.0%

Weighted Average Maturity: 447 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2019 are described in the City's CAFR, Notes 2(c) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

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

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

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

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$20.3 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately \$10.2

billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

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

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of January 15, 2020, the City had approximately \$2.4 billion aggregate principal amount of general obligation bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

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

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds Debt Service
 As of January 15, 2020 ^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2019-20	210,171,232	98,546,557	308,717,789
2020-21	138,955,457	91,074,014	230,029,471
2021-22	145,723,402	84,719,077	230,442,479
2022-23	150,220,251	77,973,738	228,193,989
2023-24	153,681,207	70,831,450	224,512,657
2024-25	155,441,474	63,488,523	218,929,997
2025-26	151,666,278	56,209,917	207,876,195
2026-27	157,865,840	49,469,475	207,335,315
2027-28	163,499,035	42,791,941	206,290,976
2028-29	164,651,751	36,301,643	200,953,394
2029-30	161,730,095	29,651,363	191,381,458
2030-31	124,506,950	23,235,339	147,742,289
2031-32	128,690,000	18,740,990	147,430,990
2032-33	95,040,000	14,156,294	109,196,294
2033-34	71,710,000	10,599,722	82,309,722
2034-35	64,140,000	7,975,267	72,115,267
2035-36	44,420,000	5,649,220	50,069,220
2036-37	32,815,000	4,095,129	36,910,129
2037-38	22,905,000	2,955,139	25,860,139
2038-39	3,280,000	2,133,507	5,413,507
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL ³	2,389,312,972	813,616,939	\$3,202,929,911

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

² Totals reflect rounding to nearest dollar.

³ 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 General Obligation Bonds

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

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

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to \$500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City has issued \$241.5 million over two series of bonds in 2015 and 2018, leaving \$258.6 million authorized and unissued.

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

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

Refunding General Obligation Bonds

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

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of January 15, 2020

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

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

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

Table A-28 below lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of January 15, 2020, the City had authorized and unissued general obligation bond authority of approximately \$1.6 billion.

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds
 As of January 15, 2020

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	\$18,657,972	
			2015A	\$24,000,000	-	
<i>Reauthorization to Repurpose for Affordable Housing</i>	11/8/16		2019A	\$72,420,000	\$72,420,000	\$188,264,550
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$35,645,000	
			2012B	\$73,355,000	\$45,285,000	
			2016A	\$8,695,000	\$7,195,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$173,805,000	
			2012D	\$251,100,000	\$147,770,000	
			2014A	\$209,955,000	\$154,035,000	-
Earthquake Safety and Emergency Response Bond	6/8/10	\$412,300,000	2010E	\$79,520,000	\$38,335,000	
			2012A	\$183,330,000	\$114,990,000	
			2012E	\$38,265,000	\$28,380,000	
			2013B	\$31,020,000	\$16,720,000	
			2014C	\$54,950,000	\$40,095,000	
			2016C	\$25,215,000	\$21,435,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	\$46,360,000	
			2013C	\$129,560,000	\$69,785,000	
			2016E	\$44,145,000	\$37,515,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$38,780,000	
			2016B	\$43,220,000	\$23,355,000	
			2018A	\$76,710,000	\$44,855,000	
			2019B	\$3,100,000	\$3,100,000	-
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	\$73,435,000	
			2016D	\$109,595,000	\$72,305,000	
			2018C	\$189,735,000	\$137,570,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$41,870,000	
			2018B	\$174,445,000	\$102,010,000	\$258,550,000
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$48,485,000	
			2018D	\$142,145,000	\$102,070,000	
			2019C	\$92,725,000	\$92,725,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$116,925,000	
			2018E	\$49,955,000	\$36,370,000	\$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000				\$425,000,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
SUBTOTAL		\$4,862,700,000		\$3,263,960,450	\$2,002,282,972	\$1,598,739,550
General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2008-R1	5/29/08			\$232,075,000	\$3,480,000	
Series 2011-R1	11/9/12			\$339,475,000	\$149,240,000	
Series 2015-R1	2/25/15			\$293,910,000	\$234,310,000	
SUBTOTAL				\$865,460,000	\$387,030,000	
TOTALS		\$4,862,700,000		\$4,129,420,450	\$2,389,312,972	\$1,598,739,550

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 Co
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 Obliga

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

General Fund Lease Obligations

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

Table A-29 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of January 15, 2020.

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TABLE A-29 – to be updated

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2019¹

Fiscal Year ²	Principal	Interest ³	Annual Payment Obligation
2019-20 ⁴	\$48,515,000	\$58,564,205	\$107,079,205
2020-21	57,210,000	56,216,292	113,426,292
2021-22	57,625,000	53,620,057	111,245,057
2022-23	60,210,000	50,974,336	111,184,336
2023-24	62,415,000	48,204,761	110,619,761
2024-25	62,750,000	45,307,931	108,057,931
2025-26	63,220,000	42,438,259	105,658,259
2026-27	66,205,000	39,423,728	105,628,728
2027-28	61,035,000	36,331,460	97,366,460
2028-29	65,915,000	33,281,225	99,196,225
2029-30	66,590,000	30,079,252	96,669,252
2030-31	62,040,000	27,098,252	89,138,252
2031-32	51,690,000	24,356,080	76,046,080
2032-33	52,545,000	22,185,304	74,730,304
2033-34	54,795,000	19,783,998	74,578,998
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL⁵	\$1,297,555,000	\$674,175,658	\$1,971,730,658

¹ Excludes commercial Paper and the following private placements (with current outstanding amounts):

SFGH Emergency Backup Generators Project (\$12,612,156)

Gsmart Citywide Emergency Radio Replacement Project (\$26,154,039)

Transbay CCSF Lease Revenue Direct Placement Revolving COPs (\$78,000,000)

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

³ Totals reflect rounding to nearest dollar.

⁴ Excludes payments made to date in current fiscal year.

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

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

Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of January 15, 2020, the total authorized and unissued amount for such financings was \$82.3 million.

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

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

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

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

TABLE A-30 – to be updated

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

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION¹			
Series 2009A (Multiple Capital Improvement)	2031	\$163,335,000	\$112,395,000
Series 2009B (Multiple Capital Improvement Projects)	2035	37,885,000	28,905,000
Series 2009C (525 Golden Gate Avenue - Tax Exempt)	2022	38,120,000	16,255,000
Series 2009D (525 Golden Gate Avenue - BABs)	2041	129,550,000	129,550,000
Refunding Series 2010A	2033	138,445,000	95,880,000
Refunding Series 2011A (Moscone)	2024	86,480,000	13,825,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	34,050,000
Series 2013B/C (Port Facilities Project)	2038/2043	37,700,000	30,010,000
Refunding Series 2014-R1/2014-R2 (Courthouse & Juvenile Hall)	2021/2034	47,220,000	31,790,000
Series 2015A/B (War Memorial Veterans Building)	2045/2024	134,325,000	122,705,000
Refunding Series 2015 R1 (City Office Buildings)	2040	123,600,000	115,140,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	13,430,000
Series 2017A (Hope San Francisco) Taxable	2047	28,320,000	27,020,000
Series 2017B (Moscone Convention Center Expansion)	2042	412,355,000	402,550,000
Subtotal Certificates of Participation			\$1,173,505,000
LEASE REVENUE BONDS/LEASE PURCHASE FINANCINGS			
Series 2008-1 (Refunding Moscone Center Expansion Project) ²	2030	\$72,670,000	\$36,300,000
Series 2008-2 (Refunding Moscone Center Expansion Project) ²	2030	72,670,000	36,300,000
Series 2010-R1 (Emergency Communication Refunding)	2024	22,280,000	7,320,000
Citywide Emergency Radio Replacement Project (Gsmart) ³	2026	34,184,136	26,154,039
SFGH Emergency Backup Generators Project ³	2025	22,549,489	12,612,156
Series 2018A (Refunding LRB's Open Space Fund)	2029	34,950,000	31,955,000
Series 2018B (Refunding LRB's Library Preservation Fund)	2028	13,355,000	12,175,000
Subtotal Lease Revenue Bonds			\$162,816,195
Total General Fund Obligations			\$1,336,321,195

¹ Excludes Commercial Paper and the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of \$78,000,000.

² Variable rate

³ Private placement

Board Authorized and Unissued Long-Term Certificates of Participation

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

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

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

49 South Van Ness Project: In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed \$321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City issued \$247.8 million certificates of participation in October 2019.

Commercial Paper Program

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

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

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

As of January 15, 2020, the outstanding principal amount of CP Notes is \$104.7 million. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include Animal Care and Control and Housing Trust Fund. Other projects currently utilizing the CP Program are the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment and the Hall of Justice Relocation Project which is interim financing the costs of the land acquisition, including demolition and related site preparation costs. The weighted average interest rate for the outstanding CP Notes is approximately 1.59%.

Transbay Transit Center Interim Financing

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

The Short-Term Certificates originally consisted of \$160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January 2022, and \$100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018.

As of January 15, 2020, the TJPA had a total of \$78.0 million outstanding from the Wells Fargo financing facility, at a current interest rate of [2.29%].

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of January 15, 2020 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-31 – to be updated

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

<u>2019-20 Assessed Valuation</u> (includes unitary utility valuation):	\$281,683,409,781 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,293,487,973
San Francisco Unified School District	898,785,000
San Francisco Community College District	215,130,000
TOTAL GENERAL OBLIGATION BONDS	\$3,407,402,973
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	\$1,401,709,039
LONG-TERM OBLIGATIONS	\$1,401,709,039 ²
TOTAL COMBINED DIRECT DEBT	\$4,809,112,012
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (34.153%) ²	\$266,555,627 ³
San Francisco Community Facilities District No. 4	19,565,000
San Francisco Community Facilities District No. 6	123,466,726
San Francisco Community Facilities District No. 7	35,585,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,807,577
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	397,895,000
City of San Francisco Assessment District No. 95-1	470,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,795,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,225,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,965,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$864,329,930
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$800,377,447
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$6,473,819,389 ⁴
<u>Ratios to 2019-20 Assessed Valuation:</u>	<u>Actual Ratio</u>
Direct General Obligation Bonded Debt (\$3,407,402,973)	1.21% ⁵
Combined Direct Debt (\$4,809,112,012)	1.71%
Total Direct and Overlapping Bonded Debt	2.30%
<u>Ratio to 2019-20 Redevelopment Incremental Valuation (\$34,366,733,708)</u>	
Total Overlapping Tax Increment Debt	2.33%

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

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

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

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

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

Source: California Municipal Statistics Inc.

[MAJOR ECONOMIC DEVELOPMENT PROJECTS] – *to be updated*

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

Treasure Island

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

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

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

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

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

Mission Bay South Project Area

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

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

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

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

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors and includes additional funding sources for the Salesforce Transit Center. The Salesforce Transit Center replaces the former Transbay Terminal at First and Mission streets with a modern transit hub and includes a future extension

of the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and opened in August 2018.

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

OCII has land use jurisdiction over the 10 acres of property formerly owned by the State surrounding the Salesforce Transit Center, which is being redeveloped with plans for 3,300 new homes, of which 1,300 will be affordable below-market rate homes, 767,000 square feet of new office space, over three acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, five parcels are fully complete, and five parcels are in various stages of pre-development and development. Two of those parcels are currently under construction and will provide over 900 housing units within the next six months. The sale of various sites has generated more than \$600 million in funding for construction of the Salesforce Transit Center.

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

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

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

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

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

Pier 70

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

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

Moscone Convention Center Expansion Project

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

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

[CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES] – to be updated

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

Article XIII A of the California Constitution

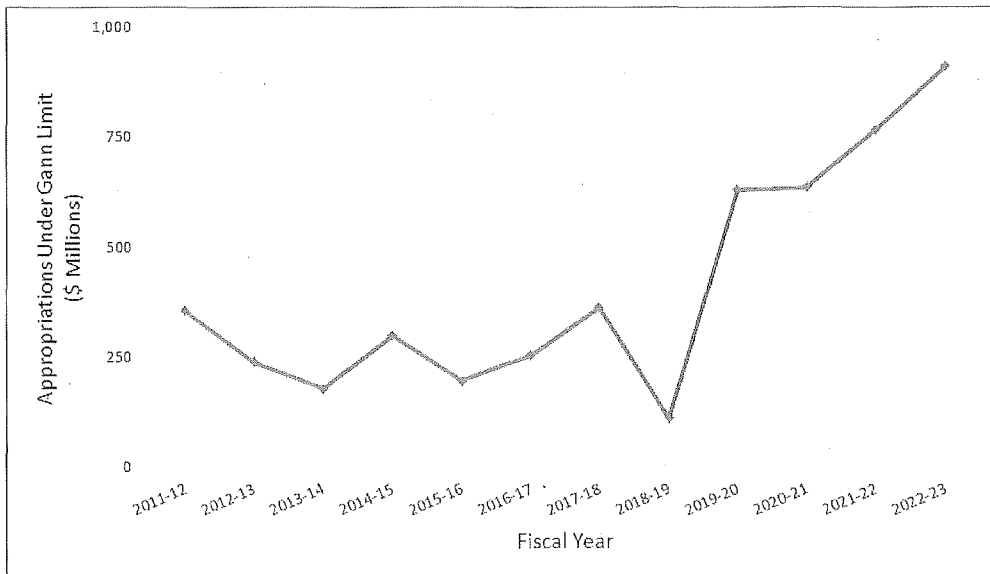
Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean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

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

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

Article XIII B of the California Constitution

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



Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City’s finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general

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

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

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

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

Proposition 1A

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

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

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

Proposition 22

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

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

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a

tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

Future Initiatives and Changes in Law

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

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

[LITIGATION AND RISK MANAGEMENT] – to be updated

Pending Litigation

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

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

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

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

[Risk Retention Program] – to be updated

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

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

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

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

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

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
LONDON N. BREED
BOARD OF SUPERVISORS
MAYOR
SAN FRANCISCO

2020 JAN 28 PM 4:21

BY

[Handwritten signature]
[Handwritten initials SK]

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: General Obligation Refunding Bonds---Not to Exceed \$1,482,995,000
DATE: Tuesday, January 28, 2020

Resolution authorizing the issuance from time to time, in one or more series, of not to exceed \$1,482,995,000 aggregate principal amount of the City and County of San Francisco General Obligation Refunding Bonds (Bonds), including an initial Series or Series of such Bonds in an aggregate principal amount not to exceed \$255,000,000 to be designated as "City and County of San Francisco General Obligation Refunding Bonds, Series 2020-R1" (Series 2020-R1 Bonds), to refund certain outstanding General Obligation Bonds of the City (Prior Bonds); approving the form and terms of said Bonds; authorizing the execution, authentication and registration of said Bonds; providing for the appointment of Depositories, Verification Agents and other Agents for said Bonds; approving the form and authorizing the execution and delivery of Escrow Agreement (s) relating to the Prior Bonds; approving and directing the tax levy for repayment of said Bonds; approving procedures for competitive or negotiated sales including approving forms of Official Notice of Sale and Notice of Intention to Sell said Bonds and authorizing the selection of Underwriter(s) and the execution and delivery of Bond Purchase Contract (s); approving the form and authorizing the execution and delivery of Continuing Disclosure Certificates; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement for the Series 2020-R1 Bonds; authorizing payment of Costs of Issuance of said Bonds; approving modifications to documents; ratifying actions previously taken; and granting general authority to City Officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Bonds, including the Series 2020-R1 Bonds and the Prior Bonds.

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