

**PRELIMINARY OFFICIAL STATEMENT DATED MAY \_\_, 2018**

**NEW ISSUE – BOOK-ENTRY ONLY**

**RATINGS: Moody's: \_\_\_**  
**S&P: \_\_\_**  
**Fitch: \_\_\_**  
**(See "RATINGS" herein)**

*In the separate opinions of Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Tax-Exempt Bonds (including any original issue discount properly allocable to the owner of a Tax-Exempt Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Taxable Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. For a more complete description of such opinions of Co-Bond Counsel, see "TAX MATTERS" herein.*



**[\$Par Amount C]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAX-EXEMPT GENERAL OBLIGATION**  
**BONDS**  
**(EARTHQUAKE SAFETY AND**  
**EMERGENCY RESPONSE BONDS, 2014),**  
**SERIES 2018C**

**[\$Par Amount D]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAXABLE GENERAL**  
**OBLIGATION BONDS**  
**(AFFORDABLE HOUSING, 2015),**  
**SERIES 2018D**

**[\$Par Amount E]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAX-EXEMPT GENERAL OBLIGATION BONDS**  
**(PUBLIC HEALTH AND SAFETY, 2016),**  
**SERIES 2018E**

**Dated: Date of Delivery**

**Due: June 15, as shown in the inside cover**

The City and County of San Francisco Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C (the "2018C Bonds"), the City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D (the "2018D Bonds" or the "Taxable Bonds"), and the City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E (the "2018E Bonds," and together with the 2018C Bonds and the 2018D Bonds, the "Bonds") are being issued under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "City"). The 2018C Bonds and the 2018E Bonds are collectively referred to herein as the "Tax-Exempt Bonds." The issuance of the Bonds has been authorized by certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City, as described under "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to finance certain public improvements as described herein, and to pay certain costs related to the issuance of the Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2018. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration."

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

**The Board of Supervisors has the power and is obligated to levy ad valorem taxes 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 Bonds and the interest thereon when due. See "SECURITY FOR THE BONDS."**

\* Preliminary, subject to change.

**PRELIMINARY OFFICIAL STATEMENT DATED MAY \_\_, 2018**

**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.**

**MATURITY SCHEDULE**

(See Inside Cover)

BIDS FOR THE PURCHASE OF THE 2018D BONDS WILL BE RECEIVED BY THE CITY AT \_\_\_\_ A.M. CALIFORNIA TIME AND BIDS FOR THE PURCHASE OF THE 2018C BONDS AND THE 2018E BONDS WILL BE RECEIVED BY THE CITY AT \_\_\_\_ A.M. CALIFORNIA TIME, ON MAY \_\_, 2018 AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED MAY \_\_, 2018, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF THE BONDS" herein.

The Bonds are offered when, as and if issued by the City and accepted by the initial purchaser, subject to the approval of legality by Kutak Rock LLP and Curls Bartling P.C., Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about May \_\_, 2018.

Dated: May \_\_, 2018.

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

**MATURITY SCHEDULE**  
 (Base CUSIP<sup>+</sup> Number: \_\_\_\_\_)

\$ \_\_\_\_\_  
**2018C Serial Bonds**

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP <sup>+</sup> Suffix
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\$ \_\_\_\_\_ % 2018C Term Bonds due June 15, 20\_\_ Price/Yield \_\_\_\_\_ CUSIP<sup>+</sup> No. \_\_\_\_\_

\$ \_\_\_\_\_  
**2018D Serial Bonds**

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP <sup>+</sup> Suffix
----------------------------	------------------	---------------	-------------	---------------------------

\$ \_\_\_\_\_ % 2018D Term Bonds due June 15, 20\_\_ Price/Yield \_\_\_\_\_ CUSIP<sup>+</sup> No. \_\_\_\_\_

\$ \_\_\_\_\_  
**2018E Serial Bonds**

Maturity Date (June 15)	Principal Amount	Interest Rate	Price/Yield	CUSIP <sup>+</sup> Suffix
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\$ \_\_\_\_\_ % 2018E Term Bonds due June 15, 20\_\_ Price/Yield \_\_\_\_\_ CUSIP<sup>+</sup> No. \_\_\_\_\_

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<sup>+</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the initial purchaser take any responsibility for the accuracy of such numbers.

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

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

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

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

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



**CITY AND COUNTY OF SAN FRANCISCO**

**MAYOR**

Mark E. Farrell

**BOARD OF SUPERVISORS**

London Breed, *Board President, District 5*

Sandra Lee Fewer, *District 1*

Catherine Stefani, *District 2*

Aaron Peskin, *District 3*

Katy Tang, *District 4*

Jane Kim, *District 6*

Norman Yee, *District 7*

Jeff Sheehy, *District 8*

Hillary Ronen, *District 9*

Malia Cohen, *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 of Public Finance*

**PROFESSIONAL SERVICES**

**Paying Agent and Registrar**

Treasurer of the City and County of San Francisco

**Co-Bond Counsel**

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*Denver, Colorado*

Curls Bartling P.C.  
*Oakland, California*

**Co-Municipal Advisors**

Hilltop Securities Inc.  
*San Francisco, California*

Ross Financial  
*San Francisco, California*

**Disclosure Counsel**

Hawkins Delafield & Wood LLP  
*San Francisco, California*



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## OFFICIAL STATEMENT

**[\$[Par Amount C]]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAX-EXEMPT GENERAL OBLIGATION**  
**BONDS**  
**(EARTHQUAKE SAFETY AND**  
**EMERGENCY RESPONSE BONDS, 2014),**  
**SERIES 2018C**

**[\$[Par Amount D]]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAXABLE GENERAL OBLIGATION BONDS**  
**(AFFORDABLE HOUSING, 2015),**  
**SERIES 2018D**

**[\$[Par Amount E]]\***  
**CITY AND COUNTY OF SAN FRANCISCO**  
**TAX-EXEMPT GENERAL OBLIGATION BONDS**  
**(PUBLIC HEALTH AND SAFETY, 2016),**  
**SERIES 2018E**

### 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 Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C (the “2018C Bonds”), the City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D (the “2018D Bonds” or the “Taxable Bonds”), and the City and County of San Francisco Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E (the “2018E Bonds,” and together with the 2018C Bonds and the 2018D Bonds, the “Bonds”). The 2018C Bonds and the 2018E Bonds are collectively referred to herein as the “Tax-Exempt Bonds.” The Board of Supervisors of the City has the power and is obligated to levy ad valorem taxes 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. See “SECURITY FOR THE BONDS” herein.

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

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

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\* Preliminary, subject to change.

## THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour’s drive to the north. The City’s population in 2016 was approximately 871,000.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the “Bay Area”). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, biotechnology and higher education. The 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 2016, approximately 25.2 million people visited the City and spent an estimated \$9.0 billion during their visit, generating approximately \$750 million in direct spending to the City from convention visitors.

The City benefits from a highly skilled, educated and professional labor force. The per-capita personal income of the City for fiscal year 2016-17 was \$109,048, and the average unemployment rate was 3.1%. The San Francisco Unified School District operates 16 transitional kindergarten schools, 64 elementary schools serving grades K-5, 8 schools serving grades K-8, 13 middle schools serving grades 6-8, 19 high schools serving grades 9-12, 5 continuation/alternative schools, and 9 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport (“SFO”), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for Pacific traffic. In fiscal year 2016-17, SFO serviced approximately 54 million passengers and handled 535,581 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the “Port”), which administers 7.5 miles of Bay waterfront held in “public trust” by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

The City is governed by a Board of Supervisors elected from 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 original budget for fiscal years 2017-18 and 2018-19 totals \$10.12 billion and \$10.00 billion, respectively. The General Fund portion of each year’s original budget is \$5.15 billion in fiscal year 2017-18 and \$5.31 billion in fiscal year 2018-19, with the balance being allocated to all other funds, including enterprise fund departments, such as

SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 32,749 full-time-equivalent employees at the end of fiscal year 2016-17. According to the Controller of the City (the “Controller”), the fiscal year 2017-18 total net assessed valuation of taxable property in the City is approximately \$234.1 billion.

More detailed information about the City’s governance, organization and finances may be found in APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” and in APPENDIX B: “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017.”

## THE BONDS

### Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2018C Bonds by Resolution No. 313-14 and Resolution No. \_\_\_\_\_, adopted by the Board of Supervisors of the City on July 29, 2014 and \_\_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City August 7, 2014 and \_\_\_\_\_, 2018, respectively (together, the “2018C Resolution”). The City authorized the issuance of the 2018D Bonds by Resolution No. 407-16 and Resolution No. \_\_\_\_\_, adopted by the Board of Supervisors of the City on September 20, 2016 and \_\_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City on September 29, 2016 and \_\_\_\_\_, 2018, respectively (together, the “2018D Resolution”). The City authorized the issuance of the 2018E Bonds by Resolution No. 514-16 and Resolution No. \_\_\_\_\_, adopted by the Board of Supervisors of the City on December 6, 2016 and \_\_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City on December 16, 2016 and \_\_\_\_\_, 2018, respectively (together, the “2018E Resolution,” and with the 2018C Resolution and the 2018D Resolution, the “Resolutions”).

The 2018C Bonds will constitute the third and final series of bonds to be issued from an aggregate authorized amount of \$400,000,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on June 3, 2014 (“Proposition A (2014)”), to provide funds for the purposes authorized in Proposition A (2014), which are summarized as follows: to improve fire, earthquake and emergency response by: improving and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically-unsafe police and medical examiner facilities with earthquake-safe buildings and to pay related costs. The City previously issued \$100,670,000 of the bonds authorized by Proposition A (2014) on October 2, 2014 and \$109,595,000 of the bonds authorized by Proposition A (2014) on April 20, 2016. After the issuance of the 2018C Bonds, no authorization of unissued bonds will remain under Proposition A (2014).

The 2018D Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of \$310,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Affordable Housing, 2015), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 3, 2015 (“Proposition A (2015)”), to provide funds for the purposes authorized in Proposition A (2015), which are summarized as follows: to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco’s working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City previously issued \$75,130,000 of the bonds authorized by Proposition A (2015) on November 1, 2016. After the issuance of the 2018D Bonds, approximately \$\_\_\_\_\_ of unissued bonds will remain under Proposition A (2015).

The 2018E Bonds will constitute the second series of bonds to be issued from an aggregate authorized amount of \$350,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on June 7, 2016 (“Proposition A (2016)”), to provide funds for the purposes authorized in Proposition A (2016), which are summarized as follows: 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 previously issued \$173,120,000 of the bonds authorized by Proposition A (2016) on February 1, 2017. After the issuance of the 2018E Bonds, approximately \$\_\_\_\_\_ of unissued bonds will remain under Proposition A (2016).

The Administrative Code of the City (the “Administrative Code”), Proposition A (2014), Proposition A (2015) and Proposition A (2016) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller and used to fund the costs of the City’s independent citizens’ general obligation bond oversight committee. The committee was created by the Administrative Code and is appointed by the Board of Supervisors of the City to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

### **Form and Registration**

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

### **Payment of Interest and Principal**

Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing December 15, 2018, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The City Treasurer will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the Registered Owner whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the “Record Date”), whether or not such day is a business day. Each Bond authenticated on or before November 30, 2018 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds or from the date of delivery of the Bonds if the first interest payment is not made.

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

**Redemption\***

***Optional Redemption of the Bonds***

The 2018C Bonds and the 2018E Bonds maturing on or before June 15, 20\_\_ will not be subject to optional redemption prior to their respective stated maturity dates. The 2018D Bonds maturing on or before June 15, 20\_\_ will not be subject to optional redemption prior to their respective stated maturity dates.

The 2018C Bonds and the 2018E maturing on or after June 15, 20\_\_ will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after June 15, 20\_\_, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption (the "Redemption Date"), without premium.

The 2018D Bonds maturing on or after June 15, 20\_\_ will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and pro rata within a maturity), on or after June 15, 20\_\_, at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the Redemption Date, without premium.

***Mandatory Redemption***

The 2018C Bonds maturing on June 15, 20\_\_ will be subject to redemption prior to their stated maturity date, 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)	Sinking Fund Payment Principal Amount
†	
† Maturity	

The 2018D Bonds maturing on June 15, 20\_\_ will be subject to redemption prior to their stated maturity date, in part, pro rata, 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)	Sinking Fund Payment Principal Amount
†	
† Maturity	

\* Preliminary, subject to change.

The 2018E Bonds maturing on June 15, 20\_\_ will be subject to redemption prior to their stated maturity date, 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)	Sinking Fund Payment Principal Amount
†	
† Maturity	

***Selection of Bonds for Redemption***

Whenever less than all of the outstanding Bonds are called for redemption on any one date, the Director of Public Finance will select the maturities of Bonds to be redeemed in his or her sole discretion.

Whenever less than all the outstanding 2018C Bonds or 2018E Bonds maturing on any one date are called for redemption on any date, the particular 2018C Bonds or 2018E Bonds or portions thereof to be redeemed will be selected by lot, in any manner which the Director of Public Finance deems fair. Whenever less than all the outstanding 2018D Bonds maturing on any one date are called for redemption on any date, the particular 2018D Bonds or portions thereof to be redeemed will be selected on a pro rata basis. If the Director of Public Finance does not provide DTC with the necessary information and identify the redemption as on a pro rata basis, the 2018D Bonds will be selected for redemption by lot in accordance with DTC procedures. The Bonds may be redeemed in denominations of \$5,000 or any integral multiple thereof.

If the Bonds to be optionally redeemed are also subject to mandatory redemption, the Director of Public Finance will designate the mandatory sinking fund payment or payments (or portions thereof) against which the principal amount of the Bonds optionally redeemed will be credited.

***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 and not more than 60 days prior to the Redemption Date.

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

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the 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 or portions of such Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of

optional redemption may be conditioned on the receipt of funds or any other event specified in the notice. See “– Conditional Notice; Right to Rescind Notice of Optional Redemption” below.

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

#### ***Effect of Notice of Redemption***

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the respective redemption account for the Bonds (the “Redemption Account”) established under the respective 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 respective Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the respective Redemption Account. Moneys held in each respective Redemption Account will be invested by the City Treasurer pursuant to the City’s policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

#### ***Conditional Notice; Right to Rescind Notice of Optional Redemption***

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys in the respective Redemption Account to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the Bonds have not been deposited or (ii) any other event specified in the notice of redemption did not occur, such Bonds for which notice of conditional optional redemption was given will not be redeemed on the anticipated Redemption Date and will remain Outstanding for all purposes of the respective Resolution and the redemption not occurring will not constitute a default under the respective 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 in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in



the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to the Tax-Exempt Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the respective Resolution.

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

“Defeasance Securities” means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent 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 or the applicable Redemption Account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on such United States Obligations.

“United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

“Rating Agencies” means Moody’s Investors Service, Fitch Ratings, 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 recognized as a national rating agency after the date of adoption of the related Resolution.

## SOURCES AND USES OF FUNDS

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

Sources	2018C	2018D	2018E	Total
Principal Amount of Bonds				
Net Original Issue Premium				
<b>Total Sources of Funds</b>				
Uses				
Deposit to Project Subaccount				
Deposit to Bond Subaccount				
Oversight Committee				
Underwriter's Discount				
Costs of Issuance*				
<b>Total Uses of Funds</b>				

\* Includes fees for services of rating agencies, Co-Municipal Advisors, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, and other miscellaneous costs associated with the issuance of the Bonds.

### Deposit and Investment of Bond Proceeds

**2018C Bond Proceeds.** Any bid premium received upon the delivery of the 2018C Bonds, and all taxes collected for payment of the 2018C Bonds, will be deposited into a special subaccount established for the payment of the 2018C Bonds. The subaccount was created by the 2018C Resolution specifically for payment of principal of and interest on the 2018C Bonds (the “2018C Bond Subaccount”).

All remaining proceeds of the sale of the 2018C Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition A (2014) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2014), and to pay costs of issuance of such bonds. See “THE BONDS – Authority for Issuance; Purposes.” The subaccount was created by the 2018C Resolution specifically to hold the proceeds of the 2018C Bonds (the “2018C Project Subaccount”).

**2018D Bond Proceeds.** Any bid premium received upon the delivery of the 2018D Bonds, and all taxes collected for payment of the 2018D Bonds, will be deposited into a special subaccount established for the payment of the 2018D Bonds. The subaccount was created by the 2018D Resolution specifically for payment of principal of and interest on the 2018D Bonds (the “2018D Bond Subaccount”).

All remaining proceeds of the sale of the 2018D Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition A (2015) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2015), and to pay costs of issuance of such bonds. See “THE BONDS – Authority for Issuance; Purposes.” The subaccount was created by the 2018D Resolution specifically to hold the proceeds of the 2018D Bonds (the “2018D Project Subaccount”).

**2018E Bond Proceeds.** Any bid premium received upon the delivery of the 2018E Bonds, and all taxes collected for payment of the 2018E Bonds, will be deposited into a special subaccount established for the payment of the 2018E Bonds. The subaccount was created by the 2018E Resolution specifically for payment of principal of and interest on the 2018E Bonds (the “2018E Bond Subaccount”).

All remaining proceeds of the sale of the 2018E Bonds are required to be deposited by the City Treasurer into a special subaccount within the project account created by the City to hold proceeds of the sale of all of the Proposition A (2016) bonds, which proceeds are required to be applied exclusively to the purposes approved by the voters in Proposition A (2016), and to pay costs of issuance of such bonds. See “THE BONDS – Authority for Issuance; Purposes.” The subaccount was created by the 2018E Resolution specifically to hold the proceeds of the 2018E Bonds (the “2018E Project Subaccount”).

Under the Resolutions, the 2018C Bond Subaccount, the 2018C Project Subaccount, the 2018D Bond Subaccount, the 2018D Project Subaccount, the 2018E Bond Subaccount and the 2018E Project Subaccount may each be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in any such account with other City moneys, or deposit amounts credited to such accounts into a separate fund or funds for investment purposes only. All interest earned on any such account will be retained in that account. See APPENDIX C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. Up to 0.1% of the proceeds of each series of the Bonds are required to be appropriated to fund the Citizens’ General Obligation Bond Oversight Committee, created to oversee various general obligation bond programs of the City. See “THE BONDS – Authority for Issuance; Purposes” herein.

**DEBT SERVICE SCHEDULES**

The consolidated scheduled debt service payable with respect to the Bonds is as follows (assuming no early redemptions):

**City and County of San Francisco  
General Obligation Bonds  
Series 2018C, Series 2018D and Series 2018E<sup>(1)(2)</sup>**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Fiscal Year Total</u>
<b>Total</b>				

<sup>(1)</sup> A portion of the debt service will be paid from original issue premium deposited in the Bond Subaccounts relating to the Bonds. See “SOURCES AND USES OF FUNDS.”  
<sup>(2)</sup> Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2018C Bonds is as follows (assuming no early redemptions):

**City and County of San Francisco  
General Obligation Bonds  
Series 2018C<sup>(1)(2)</sup>**

<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal and Interest</b>	<b>Fiscal Year Total</b>
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**Total**

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<sup>(1)</sup> A portion of the debt service will be paid from original issue premium deposited in the 2018C Bond Subaccount relating to the 2018C Bonds. See "SOURCES AND USES OF FUNDS."

<sup>(2)</sup> Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2018D Bonds is as follows (assuming no early redemptions):

**City and County of San Francisco  
General Obligation Bonds  
Series 2018D<sup>(1)(2)</sup>**

<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal and Interest</b>	<b>Fiscal Year Total</b>
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**Total**

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<sup>(1)</sup> A portion of the debt service will be paid from original issue premium deposited in the 2018D Bond Subaccount relating to the 2018D Bonds. See "SOURCES AND USES OF FUNDS."  
<sup>(2)</sup> Amounts are rounded off to the nearest dollar.

Scheduled debt service payable with respect to the 2018E Bonds is as follows (assuming no early redemptions):

**City and County of San Francisco  
General Obligation Bonds  
Series 2018E<sup>(1)(2)</sup>**

<b>Payment Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Principal and Interest</b>	<b>Fiscal Year Total</b>
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**Total**

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<sup>(1)</sup> A portion of the debt service will be paid from original issue premium deposited in the 2018E Bond Subaccount relating to the 2018E Bonds. See "SOURCES AND USES OF FUNDS."

<sup>(2)</sup> Amounts are rounded off to the nearest dollar.

## SECURITY FOR THE BONDS

### General

The Board of Supervisors of the City has the power and is obligated, and under the Resolutions has covenanted, to levy *ad valorem* taxes 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.

### 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 total net assessed valuation of taxable property in the City in fiscal year 2017-18 is approximately \$234.1 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, 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, 2017, no single assessee owned more than 0.43% 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 2017-18 is approximately \$7.02 billion, based on a net assessed valuation of approximately \$234.1 billion. As of March 1, 2018, the City had outstanding approximately \$2.07 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.88% of the net assessed valuation for fiscal year 2017-18. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS.”

**Additional Debt; Authorized but Unissued Bonds.** Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of March 1, 2018, the City had voter approval to issue up to \$1.37 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 sets forth \$35.2 billion of capital needs for all City departments. See APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Capital Plan.”

### **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. 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. However identified funding resources are below those necessary to maintain and enhance the City’s physical infrastructure. As a result, over \$11 billion in capital needs are deferred from the capital plan’s 10-year horizon. Over two-thirds of these unfunded needs relate to the City’s transportation and waterfront infrastructure, where state of good repair 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 significant 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 significant 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.



Lastly, 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 four fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues.

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, 2017.”

### **Seismic Risks**

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes 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.

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 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may 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.

In early 2016, the Port Commission of the City and County of San Francisco commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The 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.

### **Climate Change, Risk of Sea Level Rise and Flooding Damage**

Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. Over the past century, the sea level has risen about eight inches around the San Francisco Bay and along the Pacific coast. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, coastal areas like San Francisco are at risk of substantial flood damage over time

and this will affect private development as well as public infrastructure, including roads, utilities, emergency services, schools and parks. The City could lose considerable tax revenues and many residents, businesses and governmental operations along the waterfront could be displaced.

The City, including its Port, Department of the Environment and various other departments and agencies, have been preparing for these impacts 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 adaption strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise plus temporary flooding due to 100-year storm of up to 108 inches above 2015 average high tide. The City is working on a citywide adaption plan that will likely be finalized and released in the summer 2018. The goal of the adaption plan is to establish a long-term comprehensive planning framework, identify funding sources and prioritize investments.

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 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 will provide 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, period tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets pose 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 2017-2018 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.

A scientific report issued in March 2018 by professors 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 of soil, known as subsidence. The risk of subsidence affects certain parts of San Francisco built on landfill as well as the San Francisco International Airport. Under the new projections in this report, damage due to flooding could be worse than estimated under earlier climate change studies.

Projections of the impacts of global climate change on San Francisco are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast the amount and timing of sea level rise and its adverse impacts, including 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 impacts 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 impacts on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the impacts 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.

The City has filed a lawsuit against the five largest investor-owned oil companies that is pending in the United States District Court, Northern District of California, Case No. 3:17-cv-06012-WHA, entitled *The People of the State of California, acting by and through the San Francisco City Attorney, Dennis J. Herrera, v. BP P.L.C, et al.* In that lawsuit, the City Attorney is seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. 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. Therefore, the attack did not interrupt Muni train services nor did it compromise customer privacy or transaction information. The SFMTA, however, 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 will be 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.

## **Other Events**

Seismic events, wildfires, tsunamis, and other natural or man-made events may 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 generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City’s hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company (“PG&E”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

## **TAX MATTERS**

### **The Tax-Exempt Bonds**

*General Matters.* In the separate opinions of Kutak Rock LLP and Curly Bartling P.C., Co-Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Tax-Exempt Bonds (including any original issue discount properly allocable to the owner of a Tax-Exempt Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the City with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Tax-Exempt Bonds. Failure to comply with such requirements could cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. The City has covenanted to comply with such requirements. Co-Bond Counsel have expressed no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Bonds.

Notwithstanding Co-Bond Counsel’s opinion that interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal alternative minimum tax, for taxable years beginning before January 1, 2018, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations’ adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses). No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017.

The accrual or receipt of interest on the Tax-Exempt Bonds may otherwise affect the federal income tax liability of the owners of the Tax-Exempt Bonds. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Co-Bond Counsel have expressed no opinion regarding any such consequences. Purchasers of the Tax-Exempt Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax-Exempt Bonds.

Bond Counsel is also of the opinion that interest on the Tax-Exempt Bonds is exempt from State of California personal income taxes. Co-Bond Counsel have expressed no opinion regarding other tax

consequences arising with respect to the Tax-Exempt Bonds under the laws of the State of California or any other state or jurisdiction.

A copy of the form of each opinion of Co-Bond Counsel is attached hereto as Appendix F.

**Original Issue Discount.** The Tax-Exempt Bonds that have an original yield above their respective interest rates, as shown on the inside cover page of this Official Statement (collectively, the “Discount Bonds”), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond or is otherwise required to be recognized in gross income is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

**Recognition of Income Generally.** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Tax-Exempt Discount Bonds under the Code.

**Original Issue Premium.** The Tax-Exempt Bonds that have an original yield below their respective interest rates, as shown on the inside cover page of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond

over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

**Backup Withholding.** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax-Exempt Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Tax-Exempt Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## **The Taxable Bonds**

**General Matters.** Co-Bond Counsel are of the opinion that interest on the Taxable Bonds is included in gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that interest on the Taxable Bonds is exempt from State of California personal income taxes. Co-Bond Counsel have expressed no opinion regarding other tax consequences arising with respect to the Taxable Bonds under the laws of the State of California or any other state or jurisdiction.

A copy of the form of each opinion of Co-Bond Counsel is attached hereto as Appendix F.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Taxable Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

In general, interest paid on the Taxable Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Taxable Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

**Bond Premium.** An investor that acquires a Taxable Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Taxable Bond purchased

with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

**Original Issue Discount.** If the Taxable Bonds are issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the owner owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction. Owners of Taxable Bonds purchased at a discount should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date, with respect to when such original issue discount must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph) and with respect to the state and local tax consequences of owning such Taxable Bonds.

**Recognition of Income Generally.** Section 451 of the Code was amended by Pub. L. No. 115-97, enacted December 22, 2017 (sometimes referred to as the Tax Cuts and Jobs Act), to provide that taxpayers using an accrual method of accounting for federal income tax purposes generally will be required to include certain amounts in income, including original issue discount and market discount, no later than the time such amounts are reflected on certain financial statements of such taxpayer. The application of this rule may require the accrual of income earlier than would have been the case prior to the amendment of Section 451 of the Code. The rule generally applies to taxable years after 2017, except that in the case of income from a debt instrument having original issue discount, the rule does not apply until taxable years after 2018. Investors should consult their own tax advisors regarding the application of this rule and its impact on the timing of the recognition of income related to the Taxable Bonds under the Code.

**Market Discount.** An investor that acquires a Taxable Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Taxable Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Taxable Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Taxable Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Taxable Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Taxable Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

***Unearned Income Medicare Contribution Tax.*** Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Taxable Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Taxable Bonds and to gain on the sale of a Taxable Bond.

***Sales or Other Dispositions.*** If an owner of a Taxable Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Taxable Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Taxable Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

***Defeasance.*** The legal defeasance of the Taxable Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

***Backup Withholding.*** An owner of a Taxable Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Taxable Bonds, if such owner, upon issuance of the Taxable Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

***Foreign Investors.*** An owner of a Taxable Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Taxable Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Taxable Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the



name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30 percent United States withholding tax will apply to interest paid and original issue discount accruing on Taxable Bonds owned by foreign investors. In those instances in which payments of interest on the Taxable Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Taxable Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Taxable Bond.

***Tax-Exempt Investors.*** In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Taxable Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Taxable Bond is urged to consult its own tax advisor regarding the application of these provisions.

***ERISA Considerations.*** The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain requirements on “employee benefit plans” (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Taxable Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan’s particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Taxable Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the City or any dealer of the Taxable Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Taxable Bonds are acquired by such plans or arrangements with respect to which the City or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable Bonds. The sale of the Taxable Bonds to a plan is in no respect a representation by the City or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Taxable Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

### **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Co-Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Co-Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.**

### **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 Kutak Rock LLP and Curls Bartling P.C., 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 to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed forms of the legal opinions of Co-Bond Counsel is set forth in APPENDIX F hereto. The text of the legal opinions to be delivered may vary 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 the opinions by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or expresses any opinion concerning any of the matters referred to in the opinions subsequent to their date. In rendering their separate 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 undertakes 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, Disclosure Counsel.

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

### **PROFESSIONALS INVOLVED IN THE OFFERING**

Hilltop Securities Inc., San Francisco, California and Ross Financial, San Francisco, California have served as Co-Municipal Advisors to the City with respect to the sale of the Bonds. The Co-Municipal Advisors have 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 Co-Municipal Advisors have 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 assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Bond Counsel and 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 is acting as paying agent and registrar with respect to the Bonds.

### **ABSENCE OF LITIGATION**

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

### **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2017-18, which is due not later than March 27, 2019, 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 purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The ratings on certain obligations of the City were upgraded by Fitch Ratings on March 28, 2013. Under certain continuing disclosure undertakings of the City, the City was required to file a notice of such upgrade with the Electronic Municipal Market Access system of the MSRB by April 11, 2013. The City filed such notice on May 17, 2013.

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](http://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](http://www.moodys.com); S&P, at [www.spratings.com](http://www.spratings.com); and Fitch, at [www.fitchratings.com](http://www.fitchratings.com). The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

### **SALE OF THE BONDS**

The Bonds are scheduled to be sold at competitive bid on May \_\_\_, 2018, as provided in the Official Notice of Sale, dated May \_\_\_, 2018 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The Purchaser will represent to the City that the Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

### **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 initial purchaser or owners and beneficial owners of any of the Bonds.

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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, 2017**

**APPENDIX C**

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

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**[\$[Par Amount C]\*  
CITY AND COUNTY OF SAN FRANCISCO  
TAX-EXEMPT GENERAL OBLIGATION BONDS  
(EARTHQUAKE SAFETY AND EMERGENCY  
RESPONSE BONDS, 2014),  
SERIES 2018C**

**[\$[Par Amount D]\*  
CITY AND COUNTY OF SAN FRANCISCO  
TAXABLE GENERAL OBLIGATION BONDS  
(AFFORDABLE HOUSING, 2015),  
SERIES 2018D**

**[\$[Par Amount E]\*  
CITY AND COUNTY OF SAN FRANCISCO  
TAX-EXEMPT GENERAL OBLIGATION BONDS  
(PUBLIC HEALTH AND SAFETY, 2016),  
SERIES 2018E**

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 will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2018C Bonds by Resolution No. 313-14 and Resolution No. \_\_\_\_, adopted by the Board of Supervisors of the City on July 29, 2014 and \_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City August 7, 2014 and \_\_\_\_, 2018, respectively (together, the “2018C Resolution”). The City authorized the issuance of the 2018D Bonds by Resolution No. 407-16 and Resolution No. \_\_\_\_, adopted by the Board of Supervisors of the City on September 20, 2016 and \_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City on September 29, 2016 and \_\_\_\_, 2018, respectively (together, the “2018D Resolution”). The City authorized the issuance of the 2018E Bonds by Resolution No. 514-16 and Resolution No. \_\_\_\_, adopted by the Board of Supervisors of the City on December 6, 2016 and \_\_\_\_, 2018, respectively, and duly approved by the Mayor of the City on December 16, 2016 and \_\_\_\_, 2018, respectively (together, the “2018E Resolution,” and with the 2018C Resolution and the 2018D Resolution, the “Resolutions”). The City covenants and agrees as follows:

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

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

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

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

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\* Preliminary, subject to change.



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

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

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

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

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

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, 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 2017-18 Fiscal Year (which is due not later than March 27, 2019), 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) 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 1-9 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; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

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 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

10. 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;
11. Modifications to rights of Bond holders;

12. Unscheduled or contingent Bond calls;
13. Release, substitution, or sale of property securing repayment of the Bonds;
14. Non-payment related defaults;
15. 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; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(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)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

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

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

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

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

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

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

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

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

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

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

Date: May \_\_\_, 2018.

CITY AND COUNTY OF SAN FRANCISCO

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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  
TAX-EXEMPT GENERAL OBLIGATION BONDS  
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2014),  
SERIES 2018C

CITY AND COUNTY OF SAN FRANCISCO  
TAXABLE GENERAL OBLIGATION BONDS  
(AFFORDABLE HOUSING, 2015), SERIES 2018D

CITY AND COUNTY OF SAN FRANCISCO  
TAX-EXEMPT GENERAL OBLIGATION BONDS  
(PUBLIC HEALTH AND SAFETY, 2016), SERIES 2018E

Date of Issuance: May \_\_\_, 2018

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 May \_\_\_, 2018. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

CITY AND COUNTY OF SAN FRANCISCO

By: \_\_\_\_\_ [to be signed only if filed]

Title: \_\_\_\_\_

## APPENDIX E

### DTC AND THE BOOK ENTRY ONLY SYSTEM

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

#### **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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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 Bonds 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 issue to be redeemed.

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

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

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

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

#### **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 owner at the 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 hereinbefore provided.

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 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 FORMS OF OPINIONS 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 Tax-Exempt General Obligation Bonds  
(Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of its Tax-Exempt General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2018C in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the “Law”), Resolution No. 313-14, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on July 29, 2014 and approved by the Mayor of the City on August 7, 2014 (“Resolution No. 313-14”), and Resolution No. \_\_\_\_, adopted by the Board of Supervisors on \_\_\_\_\_, 2018 and approved by the Mayor of the City on \_\_\_\_\_, 2018 (“Resolution No. \_\_\_\_,” and together with Resolution No. 313-14, the “Resolutions”).

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated \_\_\_\_\_, 2018, by the Controller of the City; (d) an executed copy of the Tax Compliance Certificate, dated the date hereof, by the City, relating to the Bonds and other matters; (e) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated \_\_\_\_\_, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

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

1. The Bonds constitute the valid and binding obligations of the City.
2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.
3. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. However, for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018, interest on the Bonds will be included in the "adjusted current earnings" of such corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). The opinions set forth in the sentences above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.
4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Although we are of the opinion that interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[Closing Date]

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

Re: \$\_\_\_\_\_ City and County of San Francisco Taxable General Obligation Bonds  
(Affordable Housing, 2015), Series 2018D

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of its Taxable General Obligation Bonds (Affordable Housing, 2015), Series 2018D in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the “Law”), Resolution No. 407-16, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on September 20, 2016 and approved by the Mayor of the City on September 29, 2016 (“Resolution No. 407-16”), and Resolution No. \_\_\_\_, adopted by the Board of Supervisors on \_\_\_\_\_, 2018, and approved by the Mayor of the City on \_\_\_\_\_, 2018 (“Resolution No. \_\_\_\_,” and together with Resolution No. 407-16, the “Resolutions”).

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated \_\_\_\_\_, 2018, by the Controller of the City; (d) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated \_\_\_\_\_, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

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

1. The Bonds constitute the valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

3. The interest on the Bonds is included in gross income for federal income tax purposes.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[Closing Date]

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

Re: \$\_\_\_\_\_ City and County of San Francisco Tax-Exempt General Obligation Bonds  
(Public Health and Safety, 2016), Series 2018E

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the City and County of San Francisco (the “City”) in connection with the issuance by the City of its Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2018E in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”). The Bonds are being issued pursuant to the Charter of the City, the Government Code of the State of California and all laws of the State of California supplemental thereto (collectively, the “Law”), Resolution No. 514-16, adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on December 6, 2016 and approved by the Mayor of the City on December 16, 2016 (“Resolution No. 514-16”), and Resolution No. \_\_\_\_, adopted by the Board of Supervisors on \_\_\_\_\_, 2018 and approved by the Mayor of the City on \_\_\_\_\_, 2018 (“Resolution No. \_\_\_\_,” and together with Resolution No. 514-16, the “Resolutions”).

In connection with the issuance of the Bonds, we have examined: (a) the Law; (b) certified copies of the Resolutions; (c) an executed copy of the Certificate Awarding the Bonds and Fixing Definitive Interest Rates for the Bonds, dated \_\_\_\_\_, 2018, by the Controller of the City; (d) an executed copy of the Tax Compliance Certificate, dated the date hereof, by the City, relating to the Bonds and other matters; (e) certifications of the City, Hilltop Securities Inc. and Ross Financial, co-financial advisors to the City, the original purchaser of the Bonds and others; and (f) such other documents, opinions and matters as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the City, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the City and the security provided therefor, as set forth in the Bonds and the Resolutions, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, and to the limitations on legal remedies against charter cities and counties in the State of California. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated \_\_\_\_\_, 2018 or any other offering material relating to the Bonds and express no opinion relating thereto.

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

1. The Bonds constitute the valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and the interest thereon.

3. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (including any original issue discount properly allocable to the owner of a Bond) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. However, for the purpose of computing the alternative minimum tax imposed on certain corporations for taxable years beginning before January 1, 2018, interest on the Bonds will be included in the "adjusted current earnings" of such corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). The opinions set forth in the sentences above are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from present State of California personal income tax.

Although we are of the opinion that interest on the Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,