

File No. 190896

Committee Item No. 13

Board Item No. 7

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 18, 2019

Board of Supervisors Meeting

Date September 24, 2019

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
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Completed by: Linda Wong

Date September 13, 2019

Completed by: Linda Wong

Date September 18, 2019

1 [Authorizing Certificates of Participation - Multiple Capital Improvement Projects - Not to
2 Exceed \$62,000,000]

3 Ordinance authorizing the execution and delivery of Certificates of Participation, in one
4 or more series from time to time, on a tax-exempt or taxable basis, evidencing and
5 representing an aggregate principal amount not to exceed \$62,000,000 to finance and
6 refinance the acquisition of certain real property located within the City for the
7 improvement and equipping of certain existing real property and improvements owned
8 and maintained by the City, including but not limited to the improvement and equipping
9 of the existing Hall of Justice facilities located at 850 Bryant Street within the City and
10 adjacent and related facilities, and the retirement of certain commercial paper notes of
11 the City issued on an interim basis for such purposes; approving the form of
12 Supplement to Trust Agreement between the City and County of San Francisco and
13 U.S. Bank National Association, as trustee ("Trustee") (including certain indemnities
14 contained therein); approving respective forms of Supplements to Property Lease and
15 Project Lease, each between the City and the Trustee, for the lease and lease back of
16 all or a portion of certain real property and improvements located at 375 Laguna Honda
17 Boulevard or other property as determined by the Director of Public Finance;
18 approving the form of an Official Notice of Sale and a Notice of Intention to Sell the
19 Certificates of Participation; approving the form of an Official Statement in preliminary
20 and final form; approving the form of a Continuing Disclosure Certificate; granting
21 general authority to City officials to take necessary actions in connection with the
22 authorization, sale, execution and delivery of the Certificates of Participation;
23 approving modifications to documents; and ratifying previous actions taken in
24 connection therewith, as defined herein.

1 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
2 **Additions to Codes** are in *single-underline italics Times New Roman font*.
3 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
4 **Board amendment additions** are in double-underlined Arial font.
5 **Board amendment deletions** are in ~~strikethrough Arial font~~.
6 **Asterisks (* * * *)** indicate the omission of unchanged Code
7 subsections or parts of tables.

8 Be it ordained by the People of the City and County of San Francisco:

9 WHEREAS, The Board of Supervisors (“Board of Supervisors” or “Board”) of the
10 City and County of San Francisco (“City”) desires to provide funds for the (i) the acquisition
11 of certain real property located within the City, including but not limited to the improvement
12 and equipping of certain existing real property and improvements owned and maintained by
13 the City, including but not limited to the improvement and equipping of the existing Hall of
14 Justice facilities located at 850 Bryant Street within the City and adjacent and related
15 facilities, and (ii) the retirement of certain commercial paper notes of the City issued on an
16 interim basis for such purposes (collectively, the “Project”), and the City is authorized
17 pursuant to its charter (“Charter”) and the laws of the State to enter into lease financings for
18 such purpose; and

19 WHEREAS, The City and the Trustee have previously entered into a Property
20 Lease, dated as of May 1, 2009 (“Original Property Lease”), pursuant to which the City has
21 leased certain real property and all improvements thereon (collectively, the “Prior Leased
22 Property”) to the Trustee; and

23 WHEREAS, The Trustee and the City have previously entered into a Project Lease,
24 dated as of May 1, 2009 (“Original Project Lease”), pursuant to which the Trustee has
25 leased the Prior Leased Property back to the City; and

 WHEREAS, The City previously caused the execution and delivery of the City and
County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital

1 Improvement Projects) ("2009A Certificates") pursuant to a Trust Agreement, dated as of
2 May 1, 2009, by and between the City and the Trustee ("Original Trust Agreement" and,
3 together with the Original Property Lease and the Original Project Lease, the "Original
4 Agreements"); and

5 WHEREAS, The 2009A Certificates evidence direct undivided interests in the lease
6 payments made by the City under the Original Project Lease; and

7 WHEREAS, The Original Trust Agreement provides for the issuance of additional
8 certificates of participation by the execution and delivery of a supplement to the Original Trust
9 Agreement, and authorizes the principal and interest with respect to said certificates of
10 participation to be secured by a supplement to the Original Property Lease and to be paid
11 from amounts paid by the City under a supplement to the Original Project Lease;

12 WHEREAS, The City subsequently caused the execution and delivery of the City and
13 County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital
14 Improvement Projects) (the "2009B Certificates") pursuant to a First Supplement to Trust
15 Agreement, dated as of September 1, 2009 ("First Supplement to Trust Agreement"),
16 supplementing the Original Trust Agreement; and

17 WHEREAS, In connection therewith, the City and the Trustee have previously entered
18 into a First Supplement to Property Lease, dated as of September 1, 2009 ("First Supplement
19 to Property Lease"), supplementing the Original Property Lease; and

20 WHEREAS, In connection therewith, the City and the Trustee have previously entered
21 into a First Supplement to Project Lease, dated as of September 1, 2009 ("First Supplement
22 to Project Lease"), supplementing the Original Project Lease; and

23 WHEREAS, The 2009B Certificates evidence direct undivided interests in the lease
24 payments made by the City under the Original Project Lease, as supplemented by the First
25 Supplement to Project Lease, on a parity basis with the 2009A Certificates; and

1 WHEREAS, The City subsequently caused the execution and delivery of the City and
2 County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital
3 Improvement Projects) ("2012A Certificates") pursuant to a Second Supplement to Trust
4 Agreement, dated as of June 1, 2012 ("Second Supplement to Trust Agreement"),
5 supplementing the Original Trust Agreement; and

6 WHEREAS, In connection therewith, the City and the Trustee have previously entered
7 into a Second Supplement to Property Lease, dated as of June 1, 2012 ("Second Supplement
8 to Property Lease"), supplementing the Original Property Lease; and

9 WHEREAS, In connection therewith, the City and the Trustee have previously entered
10 into a Second Supplement to Project Lease, dated as of June 1, 2012 ("Second Supplement
11 to Project Lease"), supplementing the Original Project Lease; and

12 WHEREAS, The 2012A Certificates evidence direct undivided interests in the lease
13 payments made by the City under the Original Project Lease, as supplemented by the First
14 Supplement to Project Lease and Second Supplement to Project Lease, on a parity basis with
15 the 2009A Certificates and 2009B Certificates; and

16 WHEREAS, The Board desires to finance the Project and to cause the execution and
17 delivery of one or more additional series of certificates of participation (as further defined
18 herein, the "Certificates") in an aggregate principal amount not to exceed \$62,000,000
19 therefor; and

20 WHEREAS, The Certificates will be executed and delivered in one or more series, from
21 time to time, on a tax-exempt and/or taxable basis pursuant to one or more supplements to
22 the Original Trust Agreement (each, a "Supplement to Trust Agreement"), by and between the
23 City and the Trustee, supplementing the Original Trust Agreement; and

24 WHEREAS, In connection with the execution and delivery of the Certificates, the Board
25 desires to cause the execution of one or more supplements to the Original Property Lease

1 (each, a "Supplement to Property Lease"), supplementing and amending the Original Property
2 Lease to provide for additional rental to be paid by the Trustee in connection with the
3 financing of the Project and certain related matters and pursuant to which the City intends to
4 lease to the Trustee the Prior Leased Property and such other property specified in the
5 Supplement to Property Lease (collectively, the "Leased Property"); one or more supplements
6 to the Original Project Lease (each, a "Supplement to Project Lease"), supplementing and
7 amending the Original Project Lease to provide for the leasing of the Leased Property back to
8 the City and the additional Base Rental to be paid by the City in connection with the financing
9 of the Project and certain related matters, with such additional changes to the Supplement to
10 Property Lease and Supplement to Project Lease as shall be determined and made in
11 accordance with Section 21 hereof; a Continuing Disclosure Certificate and certain other
12 related documents; and

13 WHEREAS, The Certificates, when issued, will evidence direct undivided interests in
14 the lease payments made by the City under the Original Project Lease, as previously
15 supplemented and amended and as supplemented and amended by the Supplement to
16 Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates
17 and 2012A Certificates and any other certificates of participation of the City authorized and
18 issued pursuant to additional, respective, executed and delivered supplements to the Original
19 Agreements, prior to the issuance of the Certificates; and

20 WHEREAS, The Board has been presented with the forms of certain documents and
21 agreements referred to herein relating to the Certificates, and the Board has examined and is
22 approving each such document and agreement and desires to authorize the execution of such
23 documents and agreements and the consummation of such financing; and

24 WHEREAS, Upon the effectiveness of this Ordinance, all conditions, things and acts
25 required by law to exist, to happen and to be performed precedent to and as a condition of the

1 execution and delivery of the Supplement to Property Lease, the Supplement to Project
2 Lease, the Supplement to Trust Agreement, the Continuing Disclosure Certificate, the Official
3 Statement (as defined herein) and the Certificates will exist, have happened and have been
4 performed in due time, form and manner in accordance with applicable law, and the City shall
5 be authorized pursuant to its Charter and other applicable law to execute and deliver the
6 Supplement to Property Lease, the Supplement to Project Lease, the Continuing Disclosure
7 Certificate, the Supplement to Trust Agreement and the Official Statement and to cause the
8 execution and delivery of the Certificates in the manner and form provided in this Ordinance;
9 and

10 WHEREAS, The City has paid and expects to pay certain expenditures in connection
11 with the Project to be financed by the Certificates prior to the execution and delivery of the
12 Certificates, and the City intends to reimburse itself and to pay third parties for such prior
13 expenditures from the proceeds of the Certificates; and

14 WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the
15 Internal Revenue Code of 1986, as amended ("Reimbursement Regulations") requires the
16 City to declare its reasonable official intent to reimburse prior expenditures with the proceeds
17 of a subsequent borrowing; and

18 WHEREAS, The Reimbursement Regulations require that any reimbursement
19 allocation of proceeds of the Certificates to be made with respect to expenditures incurred
20 prior to the execution and delivery of the Certificates will occur not later than eighteen (18)
21 months after the later of (i) the date on which the expenditure is paid or (ii) the date on which
22 the facilities are placed in service, but in no event later than three (3) years after the
23 expenditure is paid; and

24 WHEREAS, The adoption of this Ordinance constitutes authorization of the Certificates
25 within the meaning of Section 864 of the California Code of Civil Procedure and any Validation

1 Act that is effective after this Ordinance takes effect; and

2 NOW THEREFORE,

3 Be it ordained by the People of the City and County of San Francisco, as follows:

4 Section 1. Findings. The Board hereby finds and determines that the recitals set
5 forth above are true and correct.

6 Section 2. Conditions Precedent. All conditions, things and acts required by law to
7 exist, to happen and to be performed precedent to the execution and delivery of the
8 Certificates exist, have happened and have been performed in due time, form and manner in
9 accordance with applicable law, and the City is now authorized pursuant to its Charter and
10 applicable law to incur indebtedness in the manner and form provided in this Ordinance.

11 Section 3. File Documents. The documents presented to the Board and on file with
12 the Clerk of the Board of Supervisors or her designee (collectively, the "Clerk") are contained
13 in File No. 190896.

14 Section 4. Authorization of the Certificates. The Board hereby authorizes and
15 approves the execution and delivery of the Certificates in one or more series and on one or
16 more delivery dates in accordance with the applicable Supplement to Trust Agreement. The
17 proceeds of the Certificates will be used to (i) finance and/or refinance the Project, including
18 through the retirement of certain commercial paper notes of the City issued therefor; (ii) fund a
19 debt service or other similar reserve, as appropriate; and (iii) pay costs of issuance of the
20 Certificates. The Certificates shall be designated as "City and County of San Francisco
21 Certificates of Participation (Multiple Capital Improvement Projects)" with such other
22 designations as to series and the year of execution and delivery as determined by the
23 Controller's Director of Public Finance ("Director of Public Finance") or her designee.

24 Section 5. Certain Terms of the Certificates. The Certificates shall evidence an
25 aggregate principal amount of not to exceed Sixty Two Million Dollars (\$62,000,000), and

1 shall evidence interest at a true interest cost up to but not to exceed twelve percent (12%) per
2 annum. The Certificates shall be subject to prepayment as set forth in the applicable
3 Supplement to Project Lease and Supplement to Trust Agreement. The Director of Public
4 Finance is hereby authorized, to the extent such officer deems it necessary or advisable and
5 financially advantageous to the City, to procure credit enhancement for the Certificates,
6 including but not limited to municipal bond insurance or a debt service reserve fund surety
7 policy.

8 Section 6. Tax Status of the Certificates. The Director of Public Finance is hereby
9 authorized, to the extent such officer deems it necessary or advisable and in the interests of
10 the City, to cause the execution and delivery of the Certificates (i) with interest with respect
11 thereto being exempt or not exempt from federal income tax, and (ii) under any federal tax law
12 provisions which provide for federal grants or credits to the City or to investors in lieu of the
13 exemption of interest from federal income tax.

14 Section 7. Approval of the Supplement to Trust Agreement. The form of the
15 Supplement to Trust Agreement between the City and the Trustee, as presented to the Board,
16 a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City ("Mayor")
17 or the City's Controller ("Controller") or designees thereof are hereby authorized to execute
18 and deliver one or more Supplements to Trust Agreement in the form hereby approved, and
19 the Clerk is hereby authorized to attest to and affix the seal of the City on such Supplements
20 to Trust Agreement, with such changes, additions and modifications as the Mayor or the
21 Controller may make or approve in accordance with Section 21 hereof.

22 Section 8. Approval of the Supplement to Property Lease. The form of the
23 Supplement to Property Lease between the City and the Trustee, as presented to the Board,
24 a copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller is
25 hereby authorized to execute and deliver one or more Supplements to Property Lease in the

1 form hereby approved, and the Clerk is hereby authorized to attest to and affix the seal of the
2 City on such Supplements to Property Lease, with such changes, additions and modifications
3 as the Mayor or the Controller may make or approve in accordance with Section 21 hereof.

4 Section 9. Approval of the Supplement to Project Lease. The form of the
5 Supplement to Project Lease between the City and the Trustee, as presented to the Board, a
6 copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller is
7 hereby authorized to execute and deliver one or more Supplements to Project Lease in the
8 form hereby approved, and the Clerk is hereby authorized to attest to and affix the seal of the
9 City on such Supplements to Project Lease with such changes, additions and modifications as
10 the Mayor or Controller may make or approve in accordance with Section 21 hereof; provided,
11 however, that the maximum Base Rental (as defined in the Project Lease) to be paid under all
12 Supplements to Project Lease in any fiscal year shall not exceed Five Million Four Hundred
13 Thousand Dollars (\$5,400,000) and the term of any Supplement to Project Lease shall not
14 extend beyond the 25th year following its date of execution, as such initial term may be
15 extended in accordance with the Project Lease.

16 Section 10. Approval of the Leased Property and the Base Rental Payments. The
17 Board hereby approves the leasing, pursuant to the terms of the Supplement to Property
18 Lease and the Supplement to Project Lease, of all or a portion of the Leased Property. The
19 Board also hereby approves the payment by the City of the Base Rental with respect thereto.

20 Section 11. Sale and Award of Certificates by Competitive Sale. In the event the
21 Director of Public Finance determines to sell the Certificates by competitive sale, the Director
22 of Public Finance, on behalf of the Controller, is hereby authorized and directed to receive
23 bids for the purchase of the Certificates, and the Controller is hereby authorized and directed
24 to award the Certificates to the bidder whose bid represents the lowest true interest cost to the
25 City, all in accordance with the procedures described in the Official Notice of Sale (as defined

1 herein).

2 Section 12. Approval of Form of Official Notice of Sale. The form of an official notice
3 of sale relating to the Certificates ("Official Notice of Sale"), as presented to this Board, a copy
4 of which is on file with the Clerk, is hereby approved. The Controller or the Director of Public
5 Finance is authorized to approve the distribution of an Official Notice of Sale for the
6 Certificates, with such changes, additions and modifications as such official may make or
7 approve in accordance with Section 21 hereof.

8 Section 13. Approval of Notice of Intention to Sell Relating to the Certificates. The
9 form of a notice of intention to sell relating to the Certificates ("Notice of Intention to Sell"), as
10 presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The
11 Controller or the Director of Public Finance is hereby authorized to approve the publication of
12 the Notice of Intention to Sell relating to the Certificates, with such changes, additions and
13 modifications as such official may make or approve in accordance with Section 21 hereof.

14 Section 14. Sale of Certificates by Negotiated Sale. If the Controller or the Director of
15 Public Finance determines to sell the Certificates by negotiated sale, the Controller or the
16 Director of Public Finance is hereby authorized to sell the Certificates by negotiated sale
17 pursuant to one or more purchase contracts (each, a "Purchase Contract") by and between
18 the City and the underwriters named therein; provided, however, that the underwriters'
19 discount under any such Purchase Contract shall not exceed one percent (1.0%) of the
20 principal amount of the Certificates. The form of Purchase Contract, as presented to the
21 Board, a copy of which is on file with the Clerk, is hereby approved.

22 Section 15. Authorization to Appoint Underwriters. To accomplish the sale of the
23 Certificates by negotiated sale, if applicable, the Controller or the Director of Public Finance is
24 hereby authorized to appoint one or more financial institutions to act as underwriter(s) for the
25 Certificates in accordance with City policies and procedures, including but not limited to the

1 City's policy to provide locally disadvantaged business enterprises an equal opportunity to
2 participate in the performance of all City contracts.

3 Section 16. Approval of the Official Statement in Preliminary and Final Form. The
4 form of an official statement relating to the Certificates ("Official Statement"), as presented to
5 this Board, a copy of which is on file in preliminary form with the Clerk, is hereby approved.
6 The Controller is hereby authorized to approve the preliminary Official Statement in
7 substantially said form, with such changes, additions, modifications (including but not limited
8 to the inclusion of the most current City financial information) or deletions as such official may
9 make or approve in accordance with Section 21 hereof, and to deem the preliminary Official
10 Statement final for purposes of the Rule 15c2-12 of the Securities and Exchange Act of 1934,
11 as amended, to execute a certificate to that effect, and to cause the preliminary Official
12 Statement to be delivered, in printed or electronic form, to potential purchasers of the
13 Certificates, such approval to be conclusively evidenced by the delivery of said deemed-final
14 certificate. The Controller is hereby further authorized and directed to sign and deliver the
15 Official Statement in final form to purchasers of the Certificates.

16 Section 17. Approval of the Continuing Disclosure Certificate. The form of a
17 Continuing Disclosure Certificate of the City relating to the Certificates, as presented to the
18 Board, a copy of which is on file with the Clerk, is hereby approved. The Controller or the
19 Director of Public Finance is hereby authorized to execute the Continuing Disclosure
20 Certificate, with such changes, additions, modifications or deletions as the Controller or the
21 Director of Public Finance may approve upon consultation with the City Attorney; such
22 approval to be conclusively evidenced by the execution and delivery of the Continuing
23 Disclosure Certificate.

24 Section 18. Reimbursement. The City declares its official intent to reimburse prior
25 expenditures of the City incurred prior to the execution and delivery of the Certificates in

1 connection with the Project or portions thereof with the proceeds of the Certificates. The
2 Board of Supervisors declares the City's intent to reimburse the City with the proceeds of the
3 Certificates for the expenditures with respect to the Project (the "Expenditures" and each an
4 "Expenditure") made on and after that date that is no more than 60 days prior to adoption of
5 this Ordinance. The City reasonably expects on the date of adoption of this Ordinance that it
6 will reimburse the Expenditures with the proceeds of the Certificates.

7 Section 19. Terms of Reimbursement. Each Expenditure was and will be either (a) of
8 a type properly chargeable to a capital account under general federal income tax principles
9 (determined in each case as of the date of the Expenditure), (b) a cost of issuance with
10 respect to the Certificates, (c) a nonrecurring item that is not customarily payable from current
11 revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such
12 grant does not impose any obligation or condition (directly or indirectly) to repay any amount
13 to or for the benefit of the City. The maximum aggregate principal amount of the Certificates
14 expected to be executed and delivered for the Project is \$62,000,000. The City shall make a
15 reimbursement allocation, which is a written allocation by the City that evidences the City's
16 use of proceeds of the Certificates to reimburse an Expenditure, no later than 18 months after
17 the later of the date on which the Expenditure is paid or the Project is placed in service or
18 abandoned, but in no event more than three years after the date on which the Expenditure is
19 paid. The City recognizes that exceptions are available for certain "preliminary expenditures,"
20 costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the
21 year of issuance and not the year of expenditure) and expenditures for construction projects
22 of at least five (5) years.

23 Section 20. General Authority. The Mayor, the Treasurer, the City Attorney, the
24 Controller, the City Administrator, the Director of Public Finance, the Clerk and other officers
25 of the City and their duly authorized deputies, designees and agents are hereby authorized

1 and directed, jointly and severally, to take such actions and to execute and deliver such
2 certificates, agreements, requests or other documents as they may deem necessary or
3 desirable to accomplish the purposes of this Ordinance, including but not limited to the
4 execution and delivery of any Supplement to Property Lease, any Supplement to Project
5 Lease, any Supplement to Trust Agreement, the Official Statement, the Continuing Disclosure
6 Certificate and the Certificates, to obtain bond insurance or other credit enhancements or a
7 surety policy with respect to the Certificates, to obtain title insurance, to clear any
8 encumbrances to title and to carry out other title work. Any such actions are solely intended to
9 further the purposes of this Ordinance and are subject in all respects to the terms of this
10 Ordinance. No such actions shall increase the risk to the City or require the City to spend any
11 resources not otherwise granted herein. Final versions of any such documents shall be
12 provided to the Clerk for inclusion in the official file within 30 days of execution (or as soon
13 thereafter as final documents are available) by all parties.

14 Section 21. Modifications, Changes and Additions. The Mayor, the Treasurer, the
15 Controller and the Director of Public Finance each are hereby authorized to make such
16 modifications, changes and additions to the documents and agreements approved hereby,
17 upon consultation with the City Attorney, as may be necessary or desirable and in the
18 interests of the City, and which changes do not materially increase the City's obligations or
19 reduce its rights thereunder or hereunder. The respective official's approval of such
20 modifications, changes and additions shall be conclusively evidenced by the execution and
21 delivery by such official and the Clerk of the applicable Supplement to Property Lease,
22 Supplement to Project Lease and Supplement to Trust Agreement or any of the other
23 documents approved in this Ordinance. Any such actions are solely intended to further the
24 purposes of this Ordinance and are subject in all respects to the terms of this Ordinance. No
25 such actions shall increase the risk to the City or require the City to spend any resources not

1 otherwise granted herein. Final versions of any such documents shall be provided to the Clerk
2 for inclusion in the official file within 30 days (or as soon thereafter as final documents are
3 available) of execution by all parties.

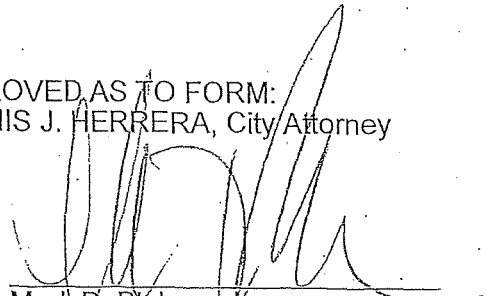
4 Section 22. Partial Invalidity. Any provision of this Ordinance found to be prohibited
5 by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the
6 remainder of this Ordinance.

7 Section 23. Effective Date. This Ordinance shall take effect immediately.

8 Section 24. Ratification of Prior Actions: All actions authorized consistent with any
9 documents presented herein and approved by this Ordinance but heretofore taken are hereby
10 ratified, approved and confirmed by the Board.

11
12 APPROVED AS TO FORM:
13 DENNIS J. HERRERA, City Attorney

14
15 By:

16 
17 Mark D. Blake
18 Deputy City Attorney

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LEGISLATIVE DIGEST

[Authorizing Certificates of Participation - Multiple Capital Improvement Projects - Not to Exceed \$62,000,000]

Ordinance authorizing the execution and delivery of Certificates of Participation, in one or more series from time to time, on a tax-exempt or taxable basis, evidencing and representing an aggregate principal amount not to exceed \$62,000,000 to finance and refinance the acquisition of certain real property located within the City for the improvement and equipping of certain existing real property and improvements owned and maintained by the City, including but not limited to the improvement and equipping of the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities, and the retirement of certain commercial paper notes of the City issued on an interim basis for such purposes; approving the form of a Fifth Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank National Association, as trustee ("Trustee") (including certain indemnities contained therein); approving respective forms of Fifth Supplements to Property Lease and Project Lease, each between the City and the Trustee, for the lease and lease back of all or a portion of certain real property and improvements located at 375 Laguna Honda Boulevard or other property as determined by the Director of Public Finance; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates of Participation; approving the form of an Official Statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the Certificates of Participation; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new law.

Background Information

The proposed Ordinance authorizes the execution and delivery of the City's Certificates of Participation ("COPs") in a principal amount not to exceed \$62,000,000. Proceeds of COPs will be used to pay the costs of the improvement and equipping Hall of Justice facilities located at 850 Bryant Street within the City. The COPs will also pay off certain City commercial paper which was issued on an interim basis to pay for the costs of the property acquisition.

The proposed Ordinance approves the City-owned Laguna Honda Hospital campus (or portions thereof) to serve as the leased asset to secure repayment of the COPs.

FILE NO. 190896

The COPs will be executed and delivered pursuant to the terms of a Trust Agreement, dated as of May 1, 2009, between the City and the trustee named therein ("Original Trust Agreement") which provides for the issuance of additional certificates of participation by the execution and delivery of supplements to the Original Trust Agreement. The COPs will be secured by a standard lease out and lease back of City property pursuant to supplements of Property Lease and Project Leases (originally dated May 1, 2009), respectively. The leases supplement original property leases and project leases providing for and securing repayment of the City's 2009A, 2009B and 2012A Certificates of Participation.

The proposed Ordinance limits the maximum interest rate of the COPs to 12%, and the maximum Base Rental Payment under the Project Lease to \$5,400,000.

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<p>Items 13 and 14 Files 19-0896 and 19-0897</p>	<p>Departments: Controller, Office of Public Finance Capital Planning Public Works</p>
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EXECUTIVE SUMMARY

Legislative Objectives:

- **File 19-0896:** The proposed ordinance would authorize the execution and delivery of Certificates of Participation (COPs) on a tax-exempt or taxable basis for a not-to-exceed \$62,000,000 to (a) finance the costs of the improvement of Hall of Justice (HOJ) facilities and acquisition of adjacent property; and (b) the repayment of certain commercial paper notes of the City issued on an interim basis for such purposes.
- **File 19-0897:** the proposed ordinance would appropriate \$62,000,000 of proceeds from COPs to the General Services Agency in FY 2019-2020 to fund the Hall of Justice Improvement Project.

Key Points

- In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30. The Capital Plan calls for \$131 million in COPs for the Hall of Justice Relocation Projects to relocate City departments and functions from the Hall of Justice. Of the \$131 million in COPs to be issued in 2020, approximately \$79.5 million are allocated to the purchase of 814-820 Bryant Street, 470 6th Street, and 1828 Egbert Street, previously approved by the Board of Supervisors (File 19-0895 and 19-0898 of this report), and approximately \$51.6 million are allocated to constructing new holding cells and relocating existing offices with the Hall of Justice.

Fiscal Impact

- The Office of Public Finance is requesting authorization to issue a total not-to-exceed \$62,000,000 of COPs, including \$51,635,000 for project costs, \$8,510,000 for issuance costs, and \$1,855,000 to be reserved for market uncertainty. Project costs totaling \$51,635,000 include \$6,000,000 to acquire adjacent property located on the Harriet Street side of the HOJ, \$26,400,000 to construct holding cells adjacent to the HOJ (as required by the Courts), and \$19,235,000 for tenant improvements at City-owned properties for HOJ relocation projects.
- The Department of Public Works prepared estimates of relocating the holding cells based on prior estimates prepared by the consulting firm, AECOM, in October 2017. The cost estimates provide for \$6.8 million in contingencies equal to 35 percent of project costs. The Budget and Legislative Analyst recommends placing \$3.8 million (\$6.8 million in contingencies less the \$3 million construction contingency) on Budget and Finance Committee reserve pending further details on the project budget and contingencies.

Recommendations

- Amend the proposed ordinance (File 19-0897) to place \$3,829,982 for contingencies for construction of the holding cells of the \$62,000,000 COPs proceeds on Budget and Finance Committee reserve pending budget details.
- Approve the File 19-0896 and File 19-0897 as amended

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding indebtedness does not exceed 3.25% of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

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

BACKGROUND

The Hall of Justice (the Hall or HOJ), located at 850 Bryant Street, was constructed in 1958 and is seismically deficient. In January 2017, given the serious concerns about the safety and working conditions in the building, the City Administrator declared that the offices and jail located at the Hall of Justice be closed as quickly as possible. As a result, the Capital Plan was updated in 2017 to target an expedited exit in 2019 from the Hall of Justice for all staff and inmates. The building currently houses the County courthouse, County jails #3 and #4, and office space for various justice-related staff.

10-Year Capital Plan

In June 2019, the Board of Supervisors adopted the Ten-Year Capital Plan for FY 2020-21 through FY 2029-30. The Capital Plan calls for \$131 million in certificates of participation (COPs) for the Hall of Justice Relocation Projects to relocate the District Attorney's Office, Adult Probation Department, Police Department Investigations Unit, Medical Examiner, and other administrative offices from the Hall of Justice.¹ Staff from the District Attorney's Office, Police, and Adult Probation departments will be relocated to leased space by the end of 2020. Remaining City offices in the Hall will be consolidated on the Harriet Street side of the building and acquired properties once obtained. The Bryant Street side of the building will be demolished once all staff and inmates are vacated, and the remaining Harriet Street side will be enclosed, leaving a rectangular structure with better expected seismic performance. However, as of September 2019, there is no plan in place for relocation of inmates and staff from County Jail #4.² Demolition of the Bryant Street side of the Hall is planned for funding with FY 2024-25 COPs.

¹ Files 19-0895 and 19-0896 approved the issuance of \$94.6 million and \$62 million in COPs respectively. Of this amount, \$79.4 million of COPs proceeds are allocated to project costs for the purchase of 814-820 Bryant Street/470 6th Street and 1828 Egbert Street (File 19-0895), and \$51.6 million is allocated for tenant improvements to the Hall of Justice (File 19-0896), totaling \$131 million.

² County Jail #3 is currently closed.

Previously Approved Resolutions

In May 2019, the Board approved a resolution authorizing the Real Estate Division to acquire property at 814-820 Bryant Street and 470 6th Street for \$12 million for the purpose of relocating staff from the Hall. The resolution authorized the issuance of \$16 million in COPs, subject to future Board of Supervisors approval of the COPs sale, and of commercial paper notes³ to finance the cost of acquisition in anticipation of the approval of the COPs. The City issued commercial paper in July 2019 to acquire these properties.

In July 2019, the Board approved a resolution authorizing the director of the Real Estate Division to acquire 1828 Egbert Avenue in an amount of \$67.3 million to relocate the Police Department's evidence and property storage from the HOJ (File 19-0774). The approval of the purchase was subject to the Board of Supervisors future authorization of COPs to fund the purchase.

DETAILS OF PROPOSED LEGISLATION

File 19-0896: the proposed ordinance would:

- Authorize the execution and delivery of taxable or tax-exempt COPs representing an aggregate principal amount not to exceed \$62,000,000 to: (a) finance the costs of the improvement of Hall of Justice facilities and acquisition of adjacent property; and (b) the repayment of certain commercial paper notes of the City issued on an interim basis for such purposes;
- Approve the form of a Supplement to Trust Agreement between the City and County of San Francisco (City) and the U.S. Bank National Association, as trustee (Trustee) (including certain indemnities contained therein);
- Approve the respective forms of Supplements to Property Lease and Project Lease, each between the City and the Trustee for the lease and lease back of 375 Laguna Honda Boulevard City property and facilities (or other property as determined by the Director of Public Finance);
- Approve the form of an Official Notice of Sale and a Notice of Intention to sell the COPs;
- Approve the form of an official statement in preliminary and final form;
- Approve the form of a Continuing Disclosure certificate;
- Grant general authority to City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the COPs;
- Approve modifications to documents; and
- Ratify previous actions taken in connection therewith

³ Commercial paper is short term (30 to 90 day) low interest debt.

Certificates of Participation

COPs are structured as a lease-lease back, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard would serve as the leased property to secure the COPs.⁴ The COPs could be structured for a term of up to 25 years at an interest rate not-to-exceed 12 percent. According to the proposed ordinance, maximum annual debt service (or maximum annual base rent) is \$5.4 million.

The Office of Public Finance estimates that the COPs would be paid over 20 years with annual principal and interest payments of \$4.7 million and an estimated annual interest rate of 4.481 percent.

Negotiated Sale

The proposed ordinance permits the COPs to be sold through a negotiated or a competitive sale. Based on current market conditions, the Office of Public Finance intends to sell the COPs competitively. However, according to Ms. Jamie Querubin, Public Finance Deputy, the Office of Public Finance may propose a negotiated sale rather than a competitive sale if one of more of the factors described in the City's Debt Policy are present, which currently include: (1) significant deterioration in the City's overall credit rating or outlook; (2) market disruptions that are outside of the City's control, including new or proposed changes in taxation or sector risks; and (3) the transaction consists of (i) variable rate debt or commercial paper, (ii) a non-traditional debt structure (e.g. forward delivery bonds, long-dated maturities or special call features), or (iii) a public/private partnership

File 19-0897 is a proposed ordinance that would appropriate \$62,000,000 of proceeds from COPs to the General Services Agency in FY 2019-2020 to fund the Hall of Justice Improvement Project with related costs of construction, acquisition, improvement, renovation, and retrofitting of City-owned properties and place the total \$62,000,000 on Controller's Reserve pending the sale of the COPs.

The Project

The proposed \$62,000,000 of proceeds from COPs would fund the following components of the Hall of Justice Improvement Projects: (1) acquisition of property adjacent to the HOJ; (2) construction of holding cells adjacent to the HOJ, as required by the Courts; and (3) tenant improvements at City-owned properties to relocate HOJ staff, primarily to repurpose the former Medical Examiner, District Attorney, and Police suites currently located on the basement, first, and third through sixth floors of the HOJ on the Harriet Street side (approximately 92,000 rentable square feet). According to Ms. Heather Green, Capital Planning Director, offices and facilities that would otherwise remain on the Bryant Street side would be

⁴ The City leases the City-owned property to the Trustee and leases back the property. The City makes annual base rental payments to the Trustee in an amount required to repay the COPs. When the COPs are fully paid, the property lease is terminated. Annual base rental payments (in effect, debt service) are paid from the City's General Fund. The City entered into the Original Trust Agreement, Original Project Lease, and Original Property Lease in 2009, and entered into two supplemental agreements/leases to the Original Trust Agreement, Original Project Lease, and Original Property Lease for the subsequent series of COPs issued in 2009 and 2012. The City also intends to enter into a third supplemental agreement/lease in 2019 for refunding of previously issued COPs.

moved to the Harriet Street side. As of September 2019, Ms. Green expects that the following offices and facilities would be relocated to the Harriet Street side: Police Investigations, Security and Transport staff from the Sheriff's Department, Project SAFE,⁵ Prisoner Legal Services, Real Estate Division building services, hoteling space⁶ for the District Attorney's Office, as well as Traffic Courts and offices.

FISCAL IMPACT

The City would pay approximately \$51,635,000 for the total project cost, including \$6,000,000⁷ to acquire adjacent property located on the Harriet Street side of the HOJ, \$26,400,000 to construct holding cells adjacent to the HOJ, and \$19,235,000 for tenant improvements at City-owned properties for HOJ relocation projects, as shown in Table 1 below. In addition, the City's estimated costs to issue the COPs are \$8,510,000, including the audit fee, debt service reserve fund, capitalized interest, commercial paper interest and fees, and cost of issuance and underwriter's discount. An additional \$1,855,000 would be reserved for market uncertainty. Table 1 below identifies the sources and uses for the proposed supplemental appropriation and the proceeds from the sale of the COPs.

Table 1: Sources and Uses for COPs

Sources and Uses	Amount
Sources	
COP Par Amount	\$62,000,000
Uses	
Acquisition of Adjacent Sites	6,000,000
Courts-required Holding Cells (see below)	26,400,000
HOJ Tenant Improvements (Harriet St. Wing) (see below)	19,235,000
Subtotal Estimated Project Costs	51,635,000
Audit Fee	103,270
Debt Service Reserve Fund	4,588,397
Capitalized Interest/CP Interest and Fees	2,563,381
Issuance Costs	803,864
Underwriter's Discount Fee	451,088
Subtotal Costs of Issuance	8,510,000
Total Estimated Costs	60,145,000
Reserve for Market Uncertainty	1,855,000
Total Uses	\$62,000,000

Source: Capital Planning

⁵ Safety Awareness for Everyone (SAFE) is a non-profit organization that provides crime prevention education and public safety services citywide.

⁶ Office space to be used by attorneys from the District Attorney's Office on a temporary basis between court appearances

⁷ Estimated by the Real Estate Division

Courts-required Holding Cells

The Department of Public Works (Public Works) prepared estimates of relocating the holding cells based on prior estimates prepared by the consulting firm, AECOM, in October 2017. These cost estimates accounted for escalation in construction costs between 2017 and 2019 and future escalation in construction costs between 2019 and the mid-point in the construction project; and for uncertain market conditions. Details of estimated holding cell construction costs of \$26.4 million are shown in Table 2 below. Project contingencies, in addition to construction cost escalation and uncertain market conditions, total \$6.8 million, equal to 35 percent of project costs. The Budget and Legislative Analyst recommends placing \$3.8 million (\$6.8 million in contingencies less the \$3 million construction contingency) on Budget and Finance Committee reserve pending further details on the project budget and contingencies.

Table 2: Estimated Holding Cell Construction Costs

Base Estimate	\$9,924,462
Market Conditions (6%)	595,468
Escalation (14%)	1,472,790
Subtotal Construction Costs	11,992,720
Building Code & Compliance	600,000
Project Phasing	500,000
Art	240,000
Hazardous Materials	200,000
Subtotal Associated Costs	1,540,000
Construction and Associated Costs	13,532,720
Project Management and Other Costs	6,070,000
Total Project Costs	19,602,720
Construction Contingency	3,000,000
Unknown Existing Conditions	1,200,000
Extraordinary Inflation	1,051,993
Owner's Contingency	1,577,989
Total Contingency	6,829,982
Total Estimated Project Costs	\$26,432,702^a

Source: Public Works

^a Total differs from COPs budget and appropriation due to rounding

Office Relocation

Public Works prepared estimates of the cost per square foot to make tenant improvements to relocate City offices to the Harriet Street wing based on the City's tenant improvement costs in comparable projects, as shown below. Details of estimated tenant improvement costs of \$19.2 million are shown in Table 3 below.

Table 3: Estimated Office Relocation Costs

Current/Previous Use	Planned Future Tenant	Rentable Sq. Ft. (RSF)	Estimated Cost per RSF	Estimated Cost
Medical Examiner (1st Floor)	Traffic Courts, Project SAFE, Prisoner Legal Services; Sheriff Security	20,000	\$376 ^a	\$7,520,000
Medical Examiner, Supplies, Storage (Basement)	Real Estate Div. Building Services, Police Fingerprinting	7,000	351 ^b	2,457,000
District Attorney, Police Office Suites (4th - 6th Floors)	Police Investigations	57,000	114 ^d	6,498,000
Commission Room (5th Floor)	District Attorney Hoteling	3,250	289 ^c	939,250
Auditorium (6th Floor)	Police Investigations Overflow	4,875	376 ^a	1,833,000
Total		92,125		\$19,247,250^e

Source: Capital Planning

^a Based on costs to renovate 350 Rhode Island Street from a commercial kitchen to District Attorney office use

^b Based on costs to redesign Warrants and Records facilities

^c Based on costs to convert office space to other office use

^d Based on costs to convert office space to other office use, reduced to reflect minimal expected capital modifications

^e Total differs from COPs budget and appropriation due to rounding

City's Debt Policy

The current plan of finance anticipates utilizing the City's commercial paper program, which was approved by the Board of Supervisors in March 2009 (File 09-0197) and March 2010 (File 10-0269) to finance project costs pending issuance of the COPs. Of the City's total commercial paper program of \$250 million re-authorized by the Board of Supervisors in May 2016 (File 16-0427); \$105.25 million is unencumbered as of September 1, 2019.

The City's policy is to limit General Fund debt service at or below 3.25 percent of discretionary General Fund revenues. The anticipated incremental debt service associated with the delivery and execution of the COPs complies with the City's policy of limiting General Fund debt service payments at or below 3.25 percent of General Fund Discretionary Revenue, as set forth and maintained in the City's Capital Plan.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 19-0897) to place \$3,829,982 for contingencies for construction of the holding cells of the \$62,000,000 COPs proceeds on Budget and Finance Committee reserve pending budget details.
2. Approve File 19-0896 and File 19-0897 as amended.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of Public Finance
Jamie Querubin, Public Finance Deputy *JQB*

DATE: Friday, August 30, 2019

SUBJECT: Ordinance Authorizing Certificates of Participation (Multiple Capital Improvement Projects) – Not-to-Exceed \$62,000,000 for Hall of Justice Relocation Projects #2

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for adoption the ordinance ("Ordinance") authorizing the execution and delivery of the Certificates of Participation (Multiple Capital Improvement Projects) ("COPs") in an aggregate principal amount not-to-exceed \$62,000,000 to finance and refinance costs for construction, acquisitions, improvement, renovation, and retrofitting of City-owned properties that will enable staff to vacate the Hall of Justice. A supplemental ordinance appropriating the proceeds of the COPs will be introduced to the Board to accompany the Ordinance authorizing the COPs and both are anticipated to be heard at the Budget and Finance Committee meeting on September 18, 2019.

Background

The Hall of Justice located at 850 Bryant Street ("HOJ") includes County Jails 3 and 4, the Superior Court, Police Headquarters, the District Attorney's Office, and other City agencies. The HOJ, which opened in 1961, is susceptible to severe structural damage in the event of an earthquake. If the HOJ sustains significant damage due to a major seismic event, the building may be rendered unusable and a danger to the health and safety of its tenants. As a result of the seismic risk at the HOJ, the Justice Facilities Improvement Program (JFIP) was originally developed in 2008 to initiate the closure of HOJ and the construction of replacement spaces for that facility. Despite interim investments, the HOJ condition continues to deteriorate, resulting in substandard office conditions. The City Administrator has received a coordinated demand letter from several unions to relocate staff from the HOJ as quickly as possible.

2 | Office of Public Finance – Ordinance Authorizing Not-to-Exceed \$62,000,000 Certificates of Participation for Hall of Justice Relocation Projects #2

Prior Board of Supervisors Actions

On April 30, 2019, the Board approved Resolution No. 215-19, adopting the City's Ten-Year Capital Plan (FY2020 – 2029) ("Adopted Capital Plan") showing that the City could fully fund HOJ Relocation projects up to \$131 million with General Fund supported certificates of participation. The proposed Ordinance seeks the final approval of the COPs to finance a portion of the \$131 million of projects contemplated in the Adopted Capital Plan, as further discussed below.

On May 7, 2019, the Board approved Resolution No. 225-19, authorizing the Director of the Real Estate Division to acquire properties located at 814-820 Bryant Street and 470 6th Street directly adjacent to the HOJ in an amount of \$12 million. The resolution also authorized the Controller to direct the City to issue commercial paper notes to finance the cost of acquisition in anticipation of the approval of the COPs, and in July 2019, the City issued commercial paper notes to acquire 814-820 Bryant Street and 470 6th Street.

On July 30, 2019, the Board approved Resolution No. 363-19, authorizing the Director of the Real Estate Division to acquire 1828 Egbert Avenue in an amount of \$67.3 million for use of storing evidence and moving property from the Hall of Justice and other locations. The approval of the acquisition is subject to the City's successful issuance of certificates of participation or other forms of indebtedness.

The Project

The proposed Ordinance authorizes the execution and delivery of one or more series of tax-exempt and, if needed, taxable COPs in an aggregate principal amount not-to-exceed \$62,000,000 to finance or refinance the construction, acquisitions, improvement, renovation, and retrofitting of City-owned properties that will enable staff to vacate the HOJ (together, the "HOJ Projects"). The HOJ Projects would encompass acquiring property needed for the permanent closure of the HOJ, constructing tenant improvements needed to remove the remaining staff from the Bryant Street wing of the HOJ, and consolidating the few remaining offices on the Harriet Street side and acquired properties once obtained, and solving for remaining Courts-related dependencies at the HOJ, such as holding cells. The total amount needed finance the HOJ Projects in aggregate is approximately \$51.6 million, as further described below.

According to the Real Estate Division, approximately \$6 million is needed to acquire Ahern Way, located on the Harriet Street side of the HOJ, to further the consolidation efforts of properties adjacent to the HOJ. In addition, according to the Office of Capital Planning and Resilience and the Department of Public Works, approximately \$26.4 million is needed to construct holding cells adjacent to the HOJ¹, as required by the Courts, who will remain operating at the HOJ. Lastly, also according to the Office of Capital Planning and Resilience, approximately \$19.2 million is needed for tenant improvements at City-owned properties for HOJ restacking projects, primarily to repurpose the former Medical Examiner, District Attorney, and Police suites currently located on the basement, first, and third through sixth floors

¹ Based on a revised estimate from AECOM calculated in September 2018 with an assumed midpoint of construction in Spring 2022.

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of the HOJ (approximately 75,000 of usable sq. ft. of offices or approximately 92,000 rentable sq. ft. including circulation space)². See Table 1 below for a summary of the cost for the HOJ Projects.

Table 1. Summary of Estimated Project Costs

Acquisition of adjacent sites	\$6,000,000
Courts-required holding cells	26,400,000
HOJ Tenant Improvements (East/Harriet Street Wing)	19,235,000
TOTAL Estimated HOJ Project Costs	<u>\$51,635,000</u>

The Certificates

Under the proposed Ordinance, the City will structure the COPs using a lease-lease back structure utilizing subsequent supplement agreements to the City's existing Series 2009A COPs, Series 2009B COPs, Series 2012A COPs, and planned Series 2019-R1 Refunding COPs as permitted by the Original Trust Agreement, Original Property Lease, and Original Project Lease, each by and between the City and a third-party trustee, currently U.S. Bank National Association (the "Trustee").

It is anticipated that the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard will serve as the leased property for the COPs (the "Leased Property"). To facilitate the financing, the Leased Property securing the COPs will consist of a substantial portion the Laguna Honda Hospital campus, including any and all buildings located on such portion of the campus. The Pavilion Building and the North Residence Building located at Laguna Honda currently serve as the leased assets for the outstanding Series 2009A COPs, Series 2009B COPs, Series 2012A, and such buildings and land are intended to serve as the leased assets for the City's planned Series 2019-R1 Refunding COPs, which, when issued, will refinance the outstanding Series 2009A COPs and Series 2009B COPs.

Original Property Lease and Original Project Lease: Pursuant to the Original Property Lease, the City leases a City-owned property to the Trustee. Pursuant to the Original Project Lease, the City leases back the leased property, together with the improvements thereon, from the Trustee. The City makes annual base rental payments to the Trustee in amounts representing the fair rental value for the improved leased property and equal to the amounts required to repay the COPs. When the COPs are finally paid, the Property Lease and Project Lease (each as supplemented) terminate. The City's General Fund secures the payment of the City's rental payments in respect of the COPs.

Original Trust Agreement: Pursuant to the Original Trust Agreement between the City and the Trustee acting on behalf and for the benefit of COPs holders, the Trustee administers and disburses payments with respect to the COPs and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of the COPs, prepayment provisions, events of default,

² This cost is based on recently developed Rough Order of Magnitude/ROM estimates from Public Works for the improvement of approximately 92,000 rentable sq. ft. of offices at the HOJ, including circulation space. This ROM estimate translates to a weighted average of \$208 per sq. ft. Public Works considered the relative level of investment likely required for each space to be reconfigured: \$376 for the OCME suites and auditorium, which would require the greatest level of effort; \$351 for other basement suites that will also require substantial reconfiguration; \$289 for the Commission Room; and \$114 for the soon to be vacated District Attorney suites, which are expected to require the least invasive improvements.

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remedies in the event of default, and other related administrative provisions. The Trustee holds proceeds derived from the sale of the COPs and disburses payments for the costs incurred for the Project, as directed by authorized City representatives.

The subsequent supplements to the Original Property Lease and Original Project Lease, each between the City and the Trustee, require the City to make base rental payments on each September 25 and March 25 during the term of the supplemental leases in an amount sufficient to pay total base rental payments when due.

The subsequent supplement to the Original Trust Agreement between the City and the Trustee requires that the base rental payments be deposited in the base rental fund maintained by the trustee. On October 1 and April 1 of each year during the term of the Trust Agreement, the Trustee will apply such amounts as are necessary to make debt service payments with respect to the COPs.

The Current Plan of Finance

The proposed Ordinance authorizes the execution and delivery of tax-exempt or, if determined by bond counsel, taxable COPs in one or more series in an aggregate par amount not-to-exceed \$62,000,000. Based on Project cost estimates and schedule, the Office of Public Finance anticipates selling \$60,145,000 in COPs under market assumptions prevailing at the expected time of sale. The difference between the expected issuance amount and the \$62,000,000 not-to-exceed amount provides flexibility in case the City needs to issue taxable COPs as directed by bond counsel, for market fluctuations until the sale of the COPs, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses.

Commercial Paper. The current plan of finance anticipates utilizing the City's commercial paper program, which was launched in June 2010 pursuant to Resolution No. 85-09 and Resolution No. 136-10, to finance certain Project costs, including preliminary design, planning, and permitting. Pursuant to Resolution No. 247-13 approved in July 2013, the City's total commercial paper program authorization is \$250.0 million, of which \$138.4 million is currently unencumbered.

Based upon an estimated 4.48% all-in true interest cost (approximately 2.50% above current market rates) and an anticipated total par value of \$60,145,000, the total principal and interest payments over the assumed 20-year term of the COPs are estimated to be approximately \$93,000,000. Based on market conditions expected at the time of the sale, the COPs could be structured with up to a 30-year term. Table 2 outlines anticipated sources and uses for the COPs, based on estimates determined by the Office of Public Finance.

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Table 2: Estimated Sources and Uses of the COPs

Estimated Sources:	
Par Amount	\$62,000,000
Estimated Uses:	
Acquisition of adjacent sites	\$6,000,000
Courts-required holding cells	26,400,000
HOJ Tenant Improvements (East/Harriet Street Wing)	19,235,000
CSA Audit Fee (0.2% of project fund)	103,270
Total Project Fund Deposits:	\$51,738,270
Debt Service Reserve Fund	\$4,588,397
Capitalized Interest/CP Interest & Fees	\$2,563,381
Costs of Issuance	\$803,864
Underwriter's Discount	451,088
Total Delivery Expenses	\$1,254,952
Total Estimated Uses	\$60,145,000
<i>Reserve for Market Uncertainty</i>	<i>\$1,855,000</i>
Maximum Not-to-Exceed Par Amount	\$62,000,000

Approximately \$4,600,000 of proceeds may be allotted to fund a Debt Service Reserve Fund, if recommended by the Director of Public Finance, in connection with the sale of the COPs. In addition, approximately \$1,200,000 will be allotted to cover costs associated with the issuance of the COPs, assuming one or more issuances. This includes amounts for underwriter compensation as outlined separately above, legal fees, municipal advisory fees, trustee fees, rating agency fees, printing costs, and other issuance costs.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see Attachment 1. The information set forth in Attachment 1 is based on estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.

Official Statement

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

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

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

The Board and the Mayor, in adopting and approving the proposed Ordinance, approve and authorize the use and distribution of the Official Statement by the co-municipal advisors with respect to the COPs. In accordance with rule 15c2-12 of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their respective dates. In accordance with the City's disclosure policies, the Controller has certified that he has reviewed the form of POS and compared such document with the City's financial statements. The Controller will also certify that such document does not contain any material misstatement or omissions prior to it being distributed to the investing marketplace. A form of the Preliminary Official Statement is attached for your approval prior to its publication.

The Capital Plan

The anticipated incremental debt service associated with the delivery and execution of the COPs complies with the City's policy of limiting General Fund debt service payments at or below 3.25% of General Fund Discretionary Revenue, as set forth and maintained in the City's Capital Plan.

Additional Information

The related forms of Official Statement, including the Appendix A, will also be submitted.

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

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the COPs. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

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

7 | Office of Public Finance – Ordinance Authorizing Not-to-Exceed \$62,000,000 Certificates of Participation for Hall of Justice Relocation Projects #2

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

Bond Purchase Agreement: The City intends to pursue a competitive sale of the COPs; but if market conditions should necessitate a negotiated sale with an underwriter, the Purchase Contract details the terms, covenants, and conditions for the sale of the COPs through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events.

The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist initial purchasers of the COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

	<u>Date*</u>
Introduction of authorizing resolution to the Board of Supervisors Capital Planning Committee	September 3, 2019
Consideration by the Board of Supervisors Budget & Finance Committee	September 9, 2019
Delivery and Execution of the COPs	September 18, 2019
	Estimated January 2020

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 or Jamie Querubin at 415-552-6902 if you have any questions.

- cc: Angela Calvillo, Clerk of the Board of Supervisors
- Andrea Bruss, Mayor's Office
- Andres Powers, Mayor's Office
- Kelly Kirkpatrick, Mayor's Budget Director
- Harvey Rose, Budget Analyst
- Ben Rosenfield, Controller
- Mark Blake, Deputy City Attorney
- Kenneth Roux, Deputy City Attorney
- Andrico Penick, Director of Real Estate Division

ATTACHMENT 1

For purposes of compliance with Section 5852.1 of the California Government Code, the following estimated information has been provided by the City's Co-Municipal Advisors, KNN Public Finance and Ross Financial:

1. True interest cost of the COPs: 4.481%
2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, financial advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,254,951.
3. Amount of COP proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the COPs: \$51,738,270.
4. Total payment amount for the COPs, being the sum of (a) debt service on the COPs to final maturity, and (b) any financing costs not paid from proceeds of the COPs: \$93,002,463.

The information set forth above is based up estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

CITY AND COUNTY OF SAN FRANCISCO
Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, California 94102
Attention: Mark Blake

[FIFTH] SUPPLEMENT TO PROPERTY LEASE

By and Between the

THE CITY AND COUNTY OF SAN FRANCISCO,
as Lessor

and

U.S. BANK NATIONAL ASSOCIATION,
as Lessee

Dated as of [Dated Date]

Relating to:

 \$[Amount]
 CITY AND COUNTY OF SAN FRANCISCO
 CERTIFICATES OF PARTICIPATION, SERIES [2020__]
 (MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

NO DOCUMENTARY TRANSFER TAX IS DUE PURSUANT
TO REVENUE AND TAXATION CODE SECTION 11922
AND THIS DOCUMENT IS EXEMPT FROM RECORDING FEES
PURSUANT TO GOVERNMENT CODE SECTION 27383

THIS [FIFTH] SUPPLEMENT TO PROPERTY LEASE, dated as of [DATED DATE] (this "[Fifth] Supplement to Property Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessor, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessee (the "Trustee");

WITNESSETH:

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009, recorded in the Official Records of San Francisco on May 26, 2009, in Reel J898, Image 0416, DOC-2009-1769825-00 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively, the "Original Leased Property") to the Trustee;

WHEREAS, the City and the Trustee have previously entered into a Project Lease, dated as of May 1, 2009 (the "Original Project Lease"), under which the Trustee has leased the Original Leased Property back to the City;

WHEREAS, in order to provide funds for certain capital improvements of the City consisting of health care and assisted living facilities located at 375 Laguna Honda Boulevard in the City (the "2009A Project"), the Trustee executed and delivered certificates of participation captioned "\$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement" and, together with the Original Property Lease and the Original Project Lease, the "Original Agreements");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease in connection with the financing of the 2009A Project and certain related matters;

WHEREAS, in order to provide funds for certain street improvements of the City (the "2009B Project"), the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009, by and between the City and the

Trustee (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for certain street improvements of the City (the "2012A Project"), the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012, by and between the City and the Trustee (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

[WHEREAS, in order to provide funds for the acquisition of capital equipment, including mechanical street sweepers and other capital expenditures and the prepayment of all or a portion of the 2009A Certificates and all or a portion of the 2009B Certificates (collectively, the "2019-R1 Project"), the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects)" (the "2019-R1 Certificates") under a Third Supplement to Trust Agreement dated as of [DATED DATE], 2019 (the "Third Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2019-R1 Certificates, the City and the Trustee will enter into, or have previously entered into, a Third Supplement to Property Lease, dated as of [DATED DATE], 2019 (the "Third Supplement to Property Lease"),

supplementing the Original Property Lease to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a Third Supplement to Project Lease, dated as of [DATED DATE], 2019, by and between the City and the Trustee (the "Third Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, the 2019-R1 Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and the Third Supplement to Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the 2019-R1 Certificates;

WHEREAS, in order to provide funds for the (i) the acquisition of certain real property located at 814-820 Bryant Street and 470 6th Street within the City and related site demolition, preparation and improvement, including through the retirement of certain taxable commercial paper notes of the City issued for such purposes, and (ii) the acquisition of certain additional property located at 1828 Egbert Avenue within the City and related site demolition, preparation and improvement (collectively, the "[2020A] Project"), all in connection with the City's planned relocation of certain Hall of Justice facilities currently located at and adjacent to 850 Bryant Street within the City, the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Certificates of Participation, Series [2020A] (Multiple Capital Improvement Projects)" (the "[2020A] Certificates") under a [Fourth] Supplement to Trust Agreement dated as of [MONTH 1], 2020 (the "Fourth Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the [2020A] Certificates, the City and the Trustee will enter into, or have previously entered into, a Fourth Supplement to Property Lease, dated as of [MONTH 1], 2020 (the "[Fourth] Supplement to Property Lease"), supplementing and amending the Original Property Lease to add certain real property and improvements thereon to the Original Leased Property leased by the City to the Trustee pursuant to the Property Lease, as supplemented and amended (all such real property and improvements, collectively, the "Leased Property") and to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a [Fourth] Supplement to Project Lease, dated as of [MONTH 1], 2020, by and between the City and the Trustee (the "[Fourth] Supplement to Project Lease"), supplementing and amending the Original Project Lease to provide for the lease by the Trustee of the Leased Property back to the City and for additional or adjusted Base Rental to be paid by the City in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, the [2020A] Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease, [the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the [2020A] Certificates;

WHEREAS, the City desires to provide for the (i) the acquisition of certain real property located within the City for City purposes and (ii) the improvement and equipping of certain existing real property and improvements owned and maintained by the City, including but not limited to the improvement and equipping of the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities, including through the retirement of certain commercial paper notes of the City issued for such purposes (collectively, the “[2020_] Project”);

WHEREAS, in order to provide funds for the [2020_] Project, the Trustee is executing and delivering a series of certificates of participation captioned “[PAR AMOUNT] City and County of San Francisco Certificates of Participation, Series [2020_] (Multiple Capital Improvement Projects)” (the “[2020_] Certificates”) under the [Fifth] Supplement to Trust Agreement, dated as of [DATED DATE], by and between the City and the Trustee (the “[Fifth] Supplement to Trust Agreement” and, collectively with the Original Trust Agreement, the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, the Third Supplement to Trust Agreement and the Fourth Supplement to Trust Agreement), the “Trust Agreement”);

WHEREAS, in connection with the execution and delivery of the [2020_] Certificates, the City and the Trustee are entering into this [Fifth] Supplement to Property Lease dated as of [DATED DATE], by and between the City and the Trustee (the “[Fifth] Supplement to Property Lease” and, together with the Original Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, [the Third Supplement to Property Lease and the Fourth Supplement to Property Lease], the “Property Lease”), supplementing and amending the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee are simultaneously entering into a [Fifth] Supplement to Project Lease, dated as of [DATED DATE] (the “[Fifth] Supplement to Project Lease” and, together with the Original Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, [the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], the “Project Lease”), supplementing amending the Original Project Lease (as previously supplemented and amended) to provide for the lease of the Leased Property by the Trustee back to the City, additional Base Rental to be paid by the City in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, the [2020_] Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Project Lease on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other

certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the [2020_] Certificates; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement and amend the Original Property Lease as follows:

Section 1. Rent. As additional consideration to the City payable under Section 5 of the Original Property Lease, the City and the Trustee hereby agree that the Trustee shall pay to the City an advance rent in the amount of the net proceeds of the [2020_] Certificates as additional prepaid rental and additional rent of \$1 per year as consideration for this [Fifth] Supplement to Property Lease over its term. Such moneys are to be deposited in the Project Fund and other funds and accounts as provided in the [Fifth] Supplement to Trust Agreement.

Section 4. Governing Law. This [Fifth] Supplement to Property Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 5. Counterparts. This [Fifth] Supplement to Property Lease may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this [Fifth] Supplement to Property Lease to be executed and attested by their proper officers thereunto duly authorized, as of the day and year first above written.

U.S. BANK NATIONAL
ASSOCIATION, as Trustee

By: _____

Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____

Mayor

[SEAL]

ATTEST:

By: _____

Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA

City Attorney

By: _____

Deputy City Attorney

[Signature page to [Fifth] Supplement to Property Lease – City and County of San Francisco]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____) ss.

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

CITY AND COUNTY OF SAN FRANCISCO

Office of the City Attorney

City Hall

1 Dr. Carlton B. Goodlett Place, Room 234

San Francisco, California 94102

Attention: Mark Blake

[FIFTH] SUPPLEMENT TO PROJECT LEASE

by and between

U.S. BANK NATIONAL ASSOCIATION,

as Lessor

and the

CITY AND COUNTY OF SAN FRANCISCO,

as Lessee

Dated as of [Dated Date]

Relating to:

\$(Amount)

**CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020_]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

NO DOCUMENTARY TRANSFER TAX IS DUE PURSUANT
TO REVENUE AND TAXATION CODE SECTION 11922
AND THIS DOCUMENT IS EXEMPT FROM RECORDING FEES
PURSUANT TO GOVERNMENT CODE SECTION 27383

THIS [FIFTH] SUPPLEMENT TO PROJECT LEASE, dated as of [DATED DATE] (this "[Fifth] Supplement to Project Lease"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and U.S. BANK NATIONAL ASSOCIATION, a national banking association, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessor (the "Trustee");

WITNESSETH:

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively, the "Original Leased Property") to the Trustee; and

WHEREAS, the City and the Trustee have previously entered into a Project Lease, dated as of May 1, 2009, recorded in the Official Records of San Francisco on May 26, 2009, in Reel J898, Image 0417, DOC-2009-1769826-00 (the "Original Project Lease"), under which the Trustee has leased the Original Leased Property back to the City;

WHEREAS, in order to provide funds for certain capital improvements of the City consisting of health care and assisted living facilities located at 375 Laguna Honda Boulevard in the City (the "2009A Project"), the Trustee executed and delivered certificates of participation captioned "\$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement" and, together with the Original Property Lease and the Original Project Lease, the "Original Agreements");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease in connection with the financing of the 2009A Project and certain related matters;

WHEREAS, in order to provide funds for certain street improvements of the City (the "2009B Project"), the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection therewith, under Section 3.2 of the Original Project Lease, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of

September 1, 2009, by and between the City and the Trustee (the "First Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for certain street improvements of the City (the "2012A Project"), the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection therewith, under Section 3.2 of the Original Project Lease, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012, by and between the City and the Trustee (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the Base Rental payments to be made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease and Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

[WHEREAS, in order to provide funds for the acquisition of capital equipment, including mechanical street sweepers and other capital expenditures and the prepayment of all or a portion of the 2009A Certificates and all or a portion of the 2009B Certificates (collectively, the "2019-R1 Project"), the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects)" (the "2019-R1 Certificates") under a Third Supplement to Trust Agreement dated as of [DATED DATE], 2019 (the "Third Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2019-R1 Certificates, the City and the Trustee will enter into, or have previously entered into, a Third Supplement to Property Lease, dated as of [DATED DATE], 2019 (the "Third Supplement to Property Lease"),

supplementing the Original Property Lease to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a Third Supplement to Project Lease, dated as of [DATED DATE], 2019, by and between the City and the Trustee (the "Third Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, the 2019-R1 Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and the Third Supplement to Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the 2019-R1 Certificates;

WHEREAS, in order to provide funds for the (i) the acquisition of certain real property located at 814-820 Bryant Street and 470 6th Street within the City and related site demolition, preparation and improvement, including through the repayment of certain taxable commercial paper notes of the City issued for such purposes, and (ii) the acquisition of certain additional property located at 1828 Egbert Avenue within the City and related site demolition, preparation and improvement (collectively, the "[2020A] Project"), all in connection with the City's planned relocation of certain Hall of Justice facilities currently located at and adjacent to 850 Bryant Street within the City, the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Certificates of Participation, Series [2020A] (Multiple Capital Improvement Projects)" (the "[2020A] Certificates") under a [Fourth] Supplement to Trust Agreement dated as of [MONTH 1], 2020 (the "[Fourth] Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the [2020A] Certificates, the City and the Trustee will enter into, or have previously entered into, a [Fourth] Supplement to Property Lease, dated as of [MONTH 1], 2020 (the "[Fourth] Supplement to Property Lease"), supplementing and amending the Original Property Lease to add certain real property and all improvements thereon to the Original Leased Property leased by the City to the Trustee pursuant to the Property Lease, as supplemented and amended (all such real property and improvements, collectively, the "Leased Property") and to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a [Fourth] Supplement to Project Lease, dated as of [MONTH 1], 2020, by and between the City and the Trustee (the "[Fourth] Supplement to Project Lease"), supplementing and amending the Original Project Lease to provide for the lease by the Trustee of the Leased Property back to the City and for additional or adjusted Base Rental to be

paid by the City in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, the [2020A] Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease, [the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, respectively, prior to the issuance of the [2020A] Certificates;

WHEREAS, the City desires to provide for the (i) the acquisition of certain real property located within the City for City purposes and (ii) the improvement and equipping of certain existing real property and improvements owned and maintained by the City, including but not limited to the improvement and equipping of the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities, including through the repayment of certain commercial paper notes of the City issued for such purposes (collectively, the “[2020_] Project”);

WHEREAS, in order to provide funds for the [2020_] Project, the Trustee is executing and delivering a series of certificates of participation captioned “[PAR AMOUNT] City and County of San Francisco Certificates of Participation, Series [2020_] (Multiple Capital Improvement Projects)” (the “[2020_] Certificates”) under the [Fifth] Supplement to Trust Agreement, dated as of [DATED DATE], by and between the City and the Trustee (the “[Fifth] Supplement to Trust Agreement” and, collectively with the Original Trust Agreement, the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, the Third Supplement to Trust Agreement and the Fourth Supplement to Trust Agreement], the “Trust Agreement”);

WHEREAS, in connection with the execution and delivery of the [2020_] Certificates, the City and the Trustee are entering into the [Fifth] Supplement to Property Lease, dated as of [DATED DATE] (the “[Fifth] Supplement to Property Lease” and, collectively with the Original Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, the Third Supplement to Property Lease and the Fourth Supplement to Property Lease], the “Property Lease”), supplementing the Original Property Lease (as previously supplemented and amended) to provide for the lease of the Leased Property by the City to the Trustee, additional rental to be paid by the Trustee in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, in connection therewith, under Section 3.2 of the Original Project Lease, the City and the Trustee are simultaneously entering into this [Fifth] Supplement to Project Lease, dated as of [DATED DATE] (the “[Fifth] Supplement to Project Lease” and, collectively with the Original Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], the “Project Lease”), supplementing the Original Project Lease (as previously supplemented and amended) to provide for the lease of the Leased Property by the Trustee back to the City,

additional Base Rental to be paid by the City in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, the [2020_] Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates, 2012A Certificates [and 2020A Certificates] and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the [2020_] Certificates; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement and amend the Original Project Lease as follows:

Section 1. Base Rental. The City agrees to pay, from any legally available funds, additional aggregate Base Rental in the amounts set forth under the caption "Base Rental Schedule" in Exhibit A hereto, which constitutes the principal and interest represented by the [2020_] Certificates. The additional Base Rental consists of annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City shall be due on April 1 and October 1 in each year and payable on each March 25 and September 25 during the Project Lease Term, commencing [] 25, 20[]. Such Base Rental provided in Exhibit A hereto is supplemental to the amounts due as provided in Section 1 and Exhibit A of the Second Supplement to Project Lease[, to the amounts due as provided in Section 1 and Exhibit A of the Third Supplement to Project Lease and to the amounts due as provided in Section 1 and Exhibit B of the Fourth Supplement to Project Lease].

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Original Trust Agreement. If any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates, according to their tenor.

The City has determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this [Fifth] Supplement to Project Lease and to the general public by reason of the City's use of the Leased Property.

Section 2. Amendment and Restatement of the Second Paragraph of Section 2 of the Original Project Lease Relating to Project Lease Term. The Second Paragraph of Section 2 of the Original Project Lease is hereby amended and restated as follows: The term of the Project Lease shall begin on May 27, 2009, and end on the earliest of

(a) April 1, 20[] or

(b) at such earlier date as the Certificates and all other amounts due hereunder and under the Trust Agreement have been paid or provision for their payment have been made in accordance with Section 11.01 of the Trust Agreement, or

(c) the date of termination of the Project Lease due to casualty or condemnation in accordance with the terms of Section 5 or 6 of the Project Lease;

provided, however, that, to the extent permitted by law, if Base Rental has been abated in any year in accordance with Section 3.5 of the Project Lease or has otherwise gone unpaid in whole or in part, the term of the Project Lease shall end on the earlier of the date falling 10 years after the date set forth in subparagraph (a) above, or April 1, 20[YEAR IN CLAUSE (a) PLUS 10], or the date on which no Certificates remain Outstanding and all Additional Rental has been paid.

Section 3. Original Project Lease Still in Effect. This [Fifth] Supplement to Project Lease and all the terms and provisions herein contained shall form part of the Original Project Lease, as previously supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease[, the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], as fully and with the same effect as if all such terms and provisions had been set forth in the Original Project Lease. The Original Project Lease, as previously supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease[, the Third Supplement to Project Lease and the Fourth Supplement to Project Lease], is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 4. Insurance. A new Section 4.3[(i)] is hereby added to Section 4.3 of the Original Project Lease as follows:

[(i)] The City shall deliver to the Trustee, on the date of execution and delivery of the [2020_] Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the [2020_] Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the [2020_] Certificates.

Section 5. Governing Law. This [Fifth] Supplement to Project Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 6. Counterparts. This [Fifth] Supplement to Project Lease may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this [Fifth] Supplement to Project Lease as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London Breed
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Deputy City Attorney

[Signature page to [Fifth] Supplement to Project Lease – City and County of San Francisco]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

CERTIFICATE OF ACCEPTANCE BY CITY AND COUNTY OF SAN FRANCISCO

This is to certify that the interest in real property conveyed by the [Fifth] Supplement to Project Lease, dated as of [DATED DATE], from U.S. Bank National Association to the City and County of San Francisco, a charter city and county and municipal corporation, is hereby accepted by the undersigned on behalf of the Board of Supervisors pursuant to authority conferred by ordinance of the Board of Supervisors adopted by the Board of Supervisors on [____], 2019, and signed by the Mayor on [____], 2019, and the grantee consents to recordation thereof.

Dated: _____, 2020

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London Breed
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A

BASE RENTAL SCHEDULE*

<i>Payment Date</i>	<i>Principal</i>	<i>Interest</i>	<i>Semi-Annual Base Rental</i>	<i>Annual Base Rental</i>
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[Breakdown of [] and [] Base Rental Payments
to be included on following pages or in a closing certificate]

* Base Rental is payable on each September 25th and March 25th prior to the Payment Date as provided under the Project Lease.

[FIFTH] SUPPLEMENT TO TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

**U.S. BANK NATIONAL ASSOCIATION
as Trustee**

Dated as of **[DATED DATE]**

Relating to:

· **[\$Amount]**

**CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

[FIFTH] SUPPLEMENT TO TRUST AGREEMENT

THIS FIFTH SUPPLEMENT TO TRUST AGREEMENT, dated as of [Dated Date] (this "[Fifth] Supplement to Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as Trustee (the "Trustee");

WITNESSETH:

WHEREAS, the City and the Trustee have previously entered into a Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), pursuant to which the City has leased certain real property and all works, property, improvements, structures and fixtures thereon (collectively the "Leased Property") to the Trustee;

WHEREAS, pursuant to a Project Lease, dated as of May 1, 2009, by and between the City and the Trustee (the "Original Project Lease"), the Trustee has leased the Leased Property back to the City;

WHEREAS, in order to provide funds to finance the acquisition, demolition, construction, reconstruction, installation, equipping, improvement and rehabilitation of a hospital and related property located at 375 Laguna Honda Boulevard (the "2009A Project"), the Trustee executed and delivered certificates of participation captioned "\$163,335,000 City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects)" (the "2009A Certificates") under a Trust Agreement, dated as of May 1, 2009, between the City and the Trustee (the "Original Trust Agreement" and, together with the Original Property Lease and the Original Project Lease, the "Original Agreements");

WHEREAS, the 2009A Certificates evidence direct undivided interests in the lease payments made by the City under the Original Project Lease;

WHEREAS, in order to provide funds to finance improvements to various City streets and other capital improvements (the "2009B Project"), the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$37,885,000 City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)" (the "2009B Certificates") under a First Supplement to Trust Agreement dated as of September 1, 2009 (the "First Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2009B Certificates, the City and the Trustee have previously entered into a First Supplement to Property Lease, dated as of September 1, 2009 (the "First Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee simultaneously entered into a First Supplement to Project Lease, dated as of September 1, 2009, by and between the City and the Trustee (the "First Supplement to Project Lease"), supplementing the Original Project

Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2009B Project and certain related matters;

WHEREAS, the 2009B Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, on a parity basis with the 2009A Certificates;

WHEREAS, in order to provide funds for certain street improvements of the City, the Trustee subsequently executed and delivered a series of certificates of participation captioned "\$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects)" (the "2012A Certificates") under a Second Supplement to Trust Agreement dated as of June 1, 2012 (the "Second Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2012A Certificates, the City and the Trustee have previously entered into a Second Supplement to Property Lease, dated as of June 1, 2012 (the "Second Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee simultaneously entered into a Second Supplement to Project Lease, dated as of June 1, 2012, by and between the City and the Trustee (the "Second Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the 2012A Project and certain related matters;

WHEREAS, the 2012A Certificates were executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease and the Second Supplement to Project Lease, on a parity basis with the 2009A Certificates and the 2009B Certificates;

[WHEREAS, in order to provide funds for the acquisition of capital equipment, including mechanical street sweepers and other capital expenditures and the prepayment of all or a portion of the 2009A Certificates and all or a portion of the 2009B Certificates (collectively, the "2019-R1 Project"), the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects)" (the "2019-R1 Certificates") under a Third Supplement to Trust Agreement dated as of [DATED DATE], 2019 (the "Third Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the 2019-R1 Certificates, the City and the Trustee will enter into, or have previously entered into, a Third Supplement to Property Lease, dated as of [DATED DATE], 2019 (the "Third Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional or adjusted rental to be paid

by the Trustee in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a Third Supplement to Project Lease, dated as of [DATED DATE], 2019, by and between the City and the Trustee (the "Third Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 2019-R1 Project and certain related matters;

WHEREAS, the 2019-R1 Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease and the Third Supplement to Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the 2019-R1 Certificates;

WHEREAS, in order to provide funds for the (i) the acquisition of certain real property located at 814-820 Bryant Street and 470 6th Street within the City and related site demolition, preparation and improvement, including through the retirement of certain taxable commercial paper notes of the City issued for such purposes, and (ii) the acquisition of certain additional property located at 1828 Egbert Avenue within the City and related site demolition, preparation and improvement (collectively, the "[2020A] Project"), all in connection with the City's planned relocation of certain Hall of Justice facilities currently located at and adjacent to 850 Bryant Street within the City, the Trustee is executing and delivering, or has executed and delivered, a series of certificates of participation captioned "\$[] City and County of San Francisco Certificates of Participation, Series [2020A] (Multiple Capital Improvement Projects)" (the "[2020A Certificates]") under a [Fourth] Supplement to Trust Agreement dated as of [MONTH] 1, 2020 (the "[Fourth] Supplement to Trust Agreement");

WHEREAS, in connection with the execution and delivery of the [2020A] Certificates, the City and the Trustee will enter into, or have previously entered into, a [Fourth] Supplement to Property Lease, dated as of [MONTH] 1, 2020 (the "[Fourth] Supplement to Property Lease"), supplementing and amending the Original Property Lease to add certain real property and all improvements thereon to the Original Leased Property leased by the City to the Trustee pursuant to the Property Lease, as supplemented and amended (all such real property and improvements, collectively, the "Leased Property") and to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee will simultaneously enter into, or have simultaneously entered into, a [Fourth] Supplement to Project Lease, dated as of [MONTH] 1, 2020, by and between the City and the Trustee (the "[Fourth] Supplement to Project Lease"), supplementing and amending the Original Project Lease to provide for the lease by the Trustee of the Leased Property (as so supplemented) back to the City and for additional or

adjusted Base Rental to be paid by the City in connection with the financing of the [2020A] Project and certain related matters;

WHEREAS, the [2020A] Certificates will be, or were, executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease and the Fourth Supplement to Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates, 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the 2020A Certificates;

WHEREAS, the City desires to provide for the (i) the acquisition of certain real property located within the City for City purposes and (ii) the improvement and equipping of certain existing real property and improvements owned and maintained by the City, including but not limited to the improvement and equipping of the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities, including through the retirement of certain commercial paper notes of the City issued for such purposes (collectively, the "[2020_] Project");

WHEREAS, in order to provide funds for the [2020_] Project, the Trustee is executing and delivering a series of certificates of participation captioned "\$[PAR AMOUNT] City and County of San Francisco Certificates of Participation, Series [2020_] (Multiple Capital Improvement Projects)" (the "[2020_] Certificates") under this [Fifth] Supplement to Trust Agreement;

WHEREAS, in connection with the execution and delivery of the [2020_] Certificates, the City and the Trustee are entering into a [Fifth] Supplement to Property Lease, dated as of [DATED DATE] (the "[Fifth] Supplement to Property Lease"), supplementing the Original Property Lease to provide for additional rental to be paid by the Trustee in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, in connection therewith, the City and the Trustee are simultaneously entering into a [Fifth] Supplement to Project Lease, dated as of [DATED DATE] (the "[Fifth] Supplement to Project Lease"), supplementing the Original Project Lease to provide for additional Base Rental to be paid by the City in connection with the financing of the [2020_] Project and certain related matters;

WHEREAS, the [2020_] Certificates are being executed and delivered as Additional Certificates pursuant to Section 7.04 of the Original Trust Agreement, and evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented by the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease and the Fourth Supplement to Project Lease, on a parity basis with the outstanding 2009A Certificates, 2009B Certificates and 2012A Certificates and any other certificates of participation of the City authorized and issued pursuant to additional

supplements to the Original Trust Agreement, the Original Property Lease and the Original Project Agreement, respectively, prior to the issuance of the [2020_] Certificates;

[DETERMINE IF NEEDED: WHEREAS, the City and the Trustee also desire by this [Fifth] Supplement to Trust Agreement to amend certain provisions of the Original Trust Agreement to [cure an ambiguity and to] make certain modifications that do not adversely affect the interests of any of the Owners of the outstanding 2009A Certificates, 2009B Certificates [and] 2012A Certificates [and 2020A Certificates] and any other certificates of participation of the City authorized and issued pursuant to additional supplements to the Original Trust Agreement, the Original Property Lease and the Original Project Agreement, respectively, prior to the issuance of the [2020_] Certificates, as permitted by Section 7.01 of the Original Trust Agreement;] and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Original Trust Agreement as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings as set forth in the Original Trust Agreement, as previously supplemented and amended. The defined term "Project" shall be deemed to include the [2020_] Project as described in Exhibit B hereto. The following capitalized terms used herein are hereby defined as follows:

"2009A Certificates" means the City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects).

"2009B Certificates" means the City and County of San Francisco Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects).

["2019 [] CP Notes" means the [CONFIRM means the notes captioned "City and County of San Francisco Taxable Lease Revenue Commercial Paper Certificates, Series 1 and Series 2" issued by the City under that certain Delivery and Paying Agent Agreement dated as of June 1, 2010, by and between the City and U.S. Bank National Association, as issuing and paying agent].]

["2019-R1 Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects).

"2020A Certificates" means the City and County of San Francisco Certificates of Participation, Series 2020A (Multiple Capital Improvement Projects).]

"[2020_] Costs of Issuance Account" means the account of that name established pursuant to Section 4 hereof.

"[2020_] Project Account" means the account of that name established pursuant to Section 5 hereof.

["[2020_] Refunding Account" means the fund of that name established pursuant to Section 5 hereof.]

"[2020_] Reserve Account" means the fund of that name established pursuant to Section 6 hereof.

Section 2. Authorization, Designation and Description of the Additional Certificates. The Trustee is hereby authorized and directed to execute and deliver the [2020_] Certificates as a series of Additional Certificates to the original purchaser or purchasers thereof. The [2020_] Certificates shall be designated as "City and County of San Francisco Certificates of Participation, Series [2020_] (Multiple Capital Improvement Projects)" which shall be executed and delivered in the aggregate principal amount of \$[PAR AMOUNT]. Each [2020_] Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The [2020_] Certificates shall be dated [ISSUANCE DATE]. The [2020_] Certificates shall be executed and delivered in Authorized Denominations, and shall initially be executed and delivered in book-entry form pursuant to Section 2.11 of the Original Trust Agreement.

The [2020_] Certificates shall be Additional Certificates under the Original Trust Agreement delivered in accordance with Section 7.04 thereof and representing Base Rental on a parity basis with the outstanding 2009A Certificates, 2009B Certificates [and] 2012A Certificates [and 2020A Certificates] and any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the issuance of the [2020_] Certificates.

The [2020_] Certificates shall have Certificate Payment Dates of [April] 1 in the years and shall evidence and represent principal components in the amounts, with an interest component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

<i>Certificate Payment Date</i> <i>([April] 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
---	-------------------------	----------------------

†

† Term Certificates

The interest evidenced and represented by the [2020_] Certificates shall be payable on each Interest Payment Date, beginning on [], 20[], and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the

sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the [2020_] Certificates shall be payable on [April] 1, 20[] and each [April] 1 thereafter, continuing to and including [April] 1, 20[] and shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each [April] 1.

The [2020_] Certificates with Certificate Payment Dates of [April] 1, 20[] and [April] 1, 20[] shall be subject to mandatory sinking account installment prepayment as set forth in Section 7(c) hereof.

Section 3. Application of Sale Proceeds of the [2020_] Certificates. Upon the Closing Date with respect to the [2020_] Certificates, an amount of proceeds from the sale thereof equal to \$[NET SALE PRICE] (calculated as the principal amount represented by the [2020_] Certificates (\$[]), [plus/less] a [net/aggregate] original issue [premium/discount] of \$[], less an underwriter's discount of \$[]), shall be delivered to the Trustee and deposited by the Trustee as follows:

(1) The Trustee shall deposit into the [2020_] Costs of Issuance Account the sum of \$[]. Such amount shall be held in the [2020_] Costs of Issuance Account separate from any other moneys in the Costs of Issuance Fund.

(2) The Trustee shall deposit into the [2020_] Reserve Account in the Reserve Fund the sum of \$[] representing the Reserve Requirement as applicable to the [2020_] Certificates only as of the Closing Date. The [2020_] Reserve Account shall only be available for payments with respect to the [2020_] Certificates.

(3) The Trustee shall deposit into the [2020_] Capitalized Interest Account within the Base Rental Fund the sum of \$[], representing capitalized interest with respect to the [2020_] Certificates. The [2020_] Capitalized Interest Account is hereby established to be held by the Trustee hereunder. Amounts on deposit in the [2020_] Capitalized Interest Account shall be applied to the Base Rental payments allocable to the [2020_] Certificates as described in the schedule below. Any amounts on deposit after [MONTH] 1, 20[], in the [2020_] Capitalized Interest Account, representing interest earnings, shall be expended on Base Rental allocable to the [2020_] Certificates on the next available Base Rental payment date.

<u>Payment</u>	<u>Date</u>
\$	[Month] 1, 20[]
	[Month] 1, 20[]
	[Month] 1, 20[]

(4) The Trustee shall deposit into the [2020_] Project Account the sum of \$[]. Such amount shall be held in the [2020_] Project Account separate from any other

moneys in the Project Fund and applied to fund costs of the [2020_] Project in accordance with Section 5(a) below.

(5) [The Trustee shall deposit into the [2020_] Refunding Account the sum of \$[___]. Such amount shall be applied to repay the outstanding [2019 [___] CP Notes] in accordance with Section 5(b) below.]

Section 4. Establishment and Application of [2020_] Costs of Issuance Account. There is hereby established in trust a special account designated as the “[2020_] Costs of Issuance Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such account as provided herein.

There shall be deposited in the [2020_] Costs of Issuance Account that portion of the proceeds of the [2020_] Certificates required to be deposited therein pursuant to Section 3 hereof. The Trustee shall disburse money from the [2020_] Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance with respect to the [2020_] Certificates, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached to the Original Trust Agreement as Exhibit B. Any amounts remaining in the [2020_] Costs of Issuance Account on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance with respect to the [2020_] Certificates have been paid or the date twelve (12) months from the Closing Date shall be transferred by the Trustee to the [2020_] Project Account or such other fund or account that has been approved in writing by a City Representative, and the [2020_] Costs of Issuance Account shall then be closed.

Section 5. Establishment and Application of [2020_] Project Account [and [2020_] Refunding Fund].

(a) **[2020_] Project Account.** There is hereby established in trust a special account designated as the “[2020_] Project Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such account as provided herein.

The Trustee shall, from time to time, disburse money from the [2020_] Project Account to pay Project Costs with respect to the [2020_] Project, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Request of the City in the form attached to the Original Trust Agreement as Exhibit C. Each officer of the City required to execute such Written Request shall have full authority to execute such Written Request without any further approval of the Board of Supervisors of the City.

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor in the form set forth in Exhibit C to the Original Trust Agreement. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for

the adequacy or the performance of any construction and similar contracts relating to the [2020_] Project or for the use or application of money properly disbursed pursuant to requests made under this Section 5[(a)].

If, after payment by the Trustee of all requisitions theretofore tendered to the Trustee under the provisions of this Section 5[(a)], and delivery to the Trustee of a Written Certificate of the City to the effect that all Project Costs with respect to the [2020_] Project have been paid and that the [2020_] Project has been substantially completed in the form of Exhibit D to the Original Trust Agreement, there remains any balance of money in the [2020_] Project Account, all money so remaining shall be transferred as directed by the City after consultation with Bond Counsel.

Notwithstanding any other provision of this [Fifth] Supplement to Trust Agreement or the Original Trust Agreement, including in particular, Section 4.16 of the Original Trust Agreement, the City may, in its sole discretion and at any time, direct the Trustee to transfer moneys on deposit in the [2020_] Project Account representing investment earnings on amounts therein to the Base Rental Fund if the City determines, in its sole discretion, that such moneys will not be needed for costs of the [2020_] Project. The Trustee shall make such transfer upon the receipt of a request executed by a City Representative directing it to make such transfer.

(b) [2020_] Refunding Fund. The Trustee shall establish, maintain and hold hereunder a separate fund known as the "[2020_] Refunding Fund," which shall be maintained and accounted for by the Trustee so long as any moneys are on deposit therein. The moneys in the [2020_] Refunding Fund shall be held by the Trustee in trust and transferred by the Trustee to U.S. Bank National Association, as issuing and paying agent (the "Issuing and Paying Agent") with respect to the [2019 []] CP Notes, in connection with the repayment of the outstanding [2019 []] CP Notes, pursuant to certain irrevocable refunding instructions that will be delivered by the City to the Trustee and the Issuing and Paying Agent. Any balance remaining in the [2020_] Refunding Account following such application of moneys shall be transferred to the [2020_] Project Account, whereupon the [2020_] Refunding Account shall be closed.]

Section 6. [2020_] Reserve Requirement. The Reserve Requirement for the [2020_] Certificates shall be [zero dollars (\$0.00)]. Amounts on deposit in the Reserve Fund, including without limitation the 2012A Reserve Account therein, shall not be available to support payments with respect to the [2020_] Certificates.

Section 7. Prepayment of [2020_] Certificates. The [2020_] Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment of [2020_] Certificates. The [2020_] Certificates with a Certificate Payment Date on or after [], are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after [], at the option of the City, in the event the City exercises its option under Section 7 of the Project Lease to prepay the principal component of the Base Rental payments, at the following prepayment prices (expressed as a percentage of the principal component to be prepaid), plus accrued interest to the date fixed for prepayment, without premium.

In the event the City gives notice to the Trustee of its intention to exercise such option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given.

(b) Sinking Account Installment Prepayment of [2020_] Certificates. The [2020_] Certificates with a Certificate Payment Date of [April] 1, 20[], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [April] 1, beginning [April] 1, 20[], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the [2020_] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

<i>Prepayment Date</i> (<i>[April] 1</i>)	<i>Sinking Account</i> <i>Installment Amount</i>
--	---

The [2020_] Certificates with a Certificate Payment Date of [April] 1, 20[], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [April] 1, beginning [April] 1, 20[], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the [2020_] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

<i>Prepayment Date</i> (<i>[April] 1</i>)	<i>Sinking Account</i> <i>Installment Amount</i>
--	---

(c) Special Prepayment of [2020_] Certificates. The [2020_] Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 of the Original Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental shall be applied pro rata among all series of Certificates.

Section 8. [2020_] Rebate Account. There is hereby established within the Rebate Fund a special account designated the “[2020_] Rebate Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other accounts and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement for the [2020_] Certificates as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the [2020_] Rebate Account. Amounts on deposit in the [2020_] Rebate Account shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

Section 9. Original Trust Agreement Still in Effect. This [Fifth] Supplement to Trust Agreement and all the terms and provisions herein contained shall form part of the Original Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Trust Agreement, as amended and supplemented by the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, [the Third Supplement to Trust Agreement and the Fourth Supplement to Trust Agreement]. The Original Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby and by the First Supplement to Trust Agreement, the Second Supplement to Trust Agreement, [the Third Supplement to Trust Agreement and the Fourth Supplement to Trust Agreement].

Section 10. Governing Law. This [Fifth] Supplement to Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 11. Counterparts. This [Fifth] Supplement to Trust Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this [Fifth] Supplement to Trust Agreement as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Mayor

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM BY:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
Deputy City Attorney

U.S. BANK NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[Signature page to [Fifth] Supplement to Trust Agreement – City and County of San Francisco]

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATE OF PARTICIPATION, SERIES [2020_] (MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

Evidencing a Proportionate Interest of the
Owner Hereof in the Right to Receive
Base Rental Payments to be Made by the

CITY AND COUNTY OF SAN FRANCISCO

<i>Certificate Payment Date</i>	<i>Interest Rate</i>	<i>Original Certificate Date</i>	<i>CUSIP</i>
[April] 1, 20__		_____, [2020]	

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the registered owner identified above or registered assigns, as the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a proportionate interest in the right to receive Base Rental payments payable under a Project Lease dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by a [Fifth] Supplement to Project Lease dated as of [Dated Date] (collectively, the "Project Lease"), by and between the City and County of San Francisco (the "City"), a municipal corporation, as lessee, and U.S. Bank National Association, a national banking association, as trustee (the "Trustee").

The registered owner of this Certificate is entitled to receive, subject to the terms of the Project Lease and unless sooner paid in full, on the Certificate Payment Date identified above, the principal amount identified above, representing a portion of the Base Rental payments designated as principal coming due on or prior to such date, and to receive on [MONTH] 1, 20[] and on each [April] 1 and [October] 1 thereafter (each, a "Payment Date"), until payment in full of such principal sum, the registered owner's proportionate share of the Base Rental payments designated as interest coming due on or prior to each of such dates. Such proportionate share of the portion of the Base Rental designated as interest is the result of the multiplication of the aforesaid portion of the Base Rental designated as principal by the interest rate specified above. Such proportionate share of the portion of the Base Rental designated as interest shall be computed on the basis of a 360-day year composed of 12 months of 30 days each.

Interest with respect to this Certificate shall accrue from the Certificate Payment Date next preceding the date of execution hereof, unless (i) this Certificate is executed after the close of business on the 15th day of the month next preceding any Payment Date (the "Record Date")

A-1

and before the close of business on the immediately following Payment Date, in which event interest shall accrue with respect hereto from such Payment Date, or (ii) this Certificate is executed on or before the Record Date immediately preceding the first Payment Date, in which event interest with respect hereto shall accrue from its Original Certificate Date set forth above; provided, however, that if at the time of execution of this Certificate, interest with respect hereto is in default, interest with respect hereto shall accrue from the Payment Date to which interest has previously been paid or made available for payment or from its Original Certificate Date if no interest has been paid or made available for payment.

Amounts due hereunder in respect of principal and premium, if any, are payable in lawful money of the United States of America at the Principal Office of the Trustee (or any successor Trustee or paying agent). Amounts representing interest are payable by check mailed by first class mail to the owner of this Certificate at such owner's address as it appears on the registration books of the Trustee as of the Record Date, provided that the payment with respect to the Certificates to each Owner of at least \$1,000,000 aggregate principal amount of Certificates shall be made to such Owner by wire transfer to such wire address in the United States that such Owner may request in writing for all Payment Dates following the 15th day after the Trustee's receipt of such notice. Payments of defaulted interest, if any, with respect to this Certificate shall be paid by check to the registered owner of this Certificate as of a special record date to be fixed by the Trustee, notice of which special record date shall be given to the owner of this Certificate not less than 10 days prior thereto.

The City is authorized to enter into the Project Lease pursuant to the laws of the State. The City has entered into the Project Lease for the purpose of leasing certain facilities (the "Leased Property") in connection with the performance of the City's governmental functions.

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by a [Fifth] Supplement to Trust Agreement dated as of [Dated Date] (collectively, the "Trust Agreement"), by and between the City and the Trustee. Under the Trust Agreement, the Trustee is authorized to execute and deliver the City and County of San Francisco Certificates of Participation, Series [2020_] (Multiple Capital Improvement Projects) in the aggregate principal amount of \$[_____]. This Certificate constitutes an Additional Certificate under the Trust Agreement delivered on parity with certain outstanding certificates of participation.

Reference is hereby made to the Project Lease and the Trust Agreement (copies of which are on file at the offices of the Trustee) for a description of the terms on which the Certificates are delivered, and the rights thereunder of the registered owners of the Certificates and the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Project Lease, to all of the provisions of which the registered owner of this Certificate, by acceptance hereof, assents and agrees.

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

pay Base Rental shall be abated during any period in which, by reason of material damage, destruction, condemnation, non-completion or title defect, there is substantial interference with the City's right of use and occupancy of the Leased Property or any portion thereof. Failure of the City to pay Base Rental during any such period shall not constitute a default under the Project Lease, the Trust Agreement or this Certificate.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of Certificates (as defined in the Trust Agreement) then outstanding. The Trust Agreement may be amended without such consent under certain circumstances provided that the interests of the owners of the Certificates are not adversely affected. No amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Base Rental payment in accordance with such owner's Certificate.

Registration of this Certificate is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same principal amount of Certificates (as defined in the Trust Agreement) will be issued to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and shall not be affected by any notice to the contrary.

The Certificates are subject to optional prepayment, special prepayment, and mandatory sinking account prepayment as provided in the Trust Agreement.

Notice of any prepayment shall be given to the respective owners of Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee as of the close of business on the day before such notice is given. The Trustee shall give notice by first-class mail, postage prepaid, at least 30 days but not more than 45 days prior to the prepayment date. Such notice shall set forth, in the case of each Certificate to be prepaid only in part, the portion of the principal thereof which is to be prepaid. Such notice may be conditional and may be canceled as provided in the Trust Agreement. Neither failure to receive such notice nor any defect in any notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

If this Certificate is called for prepayment and the principal amount of this Certificate plus accrued interest due with respect hereto are duly provided therefor as specified in the Trust Agreement, then interest shall cease to accrue with respect hereto from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Certificate owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer the various funds and accounts established under the Trust Agreement in accordance therewith, and, to the extent provided in the Trust Agreement, to enforce the rights of the Trustee under the Project Lease.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement.

The recitals of fact contained herein shall be taken as those of the City and not the Trustee, and the Trustee does not warrant the accuracy of any recitals hereof.

This Certificate shall not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

THE CITY HAS CERTIFIED, RECITED AND DECLARED that all things, conditions and acts required by the Constitution and laws of the State and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner, as required by law.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Certificate executed and delivered is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

DATE OF EXECUTION: [Closing Date]

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By:

Authorized Signatory

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Certificate shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM_ as tenants in common

TEN ENT_ as tenants by the entireties

JT.TEN_ as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT _____ Custodian _____

(Cust) (Minor)

under Uniform Gifts to Minors Act _____

(State)

**ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE**

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-registered Certificate and hereby irrevocably constitute(s) and appoints(s) attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

Note: Signature(s) must be guaranteed by an eligible guarantor.

EXHIBIT B
DESCRIPTION OF THE [2020_] PROJECT
[TO COME]

B-1

NOTICE OF INTENTION TO SELL

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the "City") intends to offer the above-captioned certificates of participation (the "Certificates") for public sale on:

_____, 2020*

at [] a.m.* (California time)

(subject to modification, postponement or cancellation in accordance
with the Official Notice of Sale)

by electronic bids only through Ipreo LLC's BiDCOMP™/PARITY® System ("Parity").

The City reserves the right to postpone or cancel the sale of the Certificates prior to the time bids are to be received or to change the terms thereof upon notice given through Thomson Reuters and/or Bloomberg Business News (collectively, the "News Services") and/or Parity as described herein below. If no bid is awarded for the Certificates, the City may reschedule the sale of the Certificates to another date or time by providing notification through Parity and/or the News Services.

The Certificates will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around _____, 2020 (the "Official Notice of Sale") relating to the Certificates. Additional information regarding the proposed sale of the Certificates, including copies of the Preliminary Official Statement for the Certificates, dated on or around _____, 2020 (the "Preliminary Official Statement"), and the Official Notice of Sale, are expected to be available electronically at Ipreo Prospectus: www.i-dealprospectus.com on or around _____, 2020, and may also be obtained from either of the City's Co-Municipal Advisors: (i) KNN Public Finance, LLC, 1300 Clay Street, Suite 1000, Oakland, California 94612, telephone 510-208-8205, attention: David Brodsly (email: dbrodsly@knninc.com); or (ii) Ross Financial, 1736 Stockton Street, Suite One, San Francisco, California 94133, telephone 415-912-5612, attention: Peter Ross (email: rossfinancial@smkc.com). Failure of any bidder to receive such notice shall not affect the legality of the sale.

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

* Preliminary, subject to change.

affect such bid or change the ranking of the bids.

Dated: _____, 2020

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Certificates, the winning bidder agrees to promptly report to the City the prices at which the unsold Certificates of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold.

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

(g) By submitting a bid for the Certificates, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of such Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to such Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to such Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Certificates to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public),
- (iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Certificates are awarded by the City to the winning bidder.

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

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

Postponement or Cancellation of Sale. The City may postpone or cancel the sale of the Certificates at or prior to the time for receiving bids. Notice of such postponement or cancellation

shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than [1]:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Controller of the City will take official action awarding the Certificates or rejecting all bids with respect to the Certificates not later than 30 hours after the time for receipt of bids for the Certificates, unless such time period is waived by the Purchaser.

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

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

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Certificates will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about ____, 2020*. Payment for the Certificates (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Certificates purchased, described in [APPENDIX F – "PROPOSED FORMS OF OPINIONS OF CO-SPECIAL COUNSEL"] to the Preliminary Official Statement.

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

* Preliminary; subject to change.

made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

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

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

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificate nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser of the Certificates to accept delivery of and pay for the Certificates in accordance with the terms of this Official Notice of Sale. The Purchaser of the Certificates, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Certificates. **The Purchaser of the Certificates is responsible for obtaining CUSIP numbers for the Certificates and the CUSIP Global Services (CGS) charge for the assignment of CUSIP numbers will be paid by such Purchaser.** CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The City takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of the Certificates.

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

Official Statement. Copies of the Preliminary Official Statement with respect to the Certificates will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Municipal Advisors. (The contact information for the Co-Municipal Advisors is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Certificates, the Purchaser of the Certificates will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection

with the resale of the Certificates. The Purchaser of the Certificates must notify the City in writing within two (2) days of the sale of the Certificates if the Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

Certificate Regarding Official Statement. At the time of delivery of the Certificates, the Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the City that would make it unreasonable for such Purchaser to rely upon the final Official Statement in connection with the resale of the Certificates, and (iii) the City authorizes the Purchaser to distribute copies of the final Official Statement in connection with the resale of the Certificates.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of Certificates, the Purchaser of the Certificates will be required to execute and deliver to the City, prior to the date of closing, a certificate to the following effect:

- (i) The Purchaser has provided to the City the initial reoffering prices or yields on the Certificates as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Certificates to the public at the prices and yields so shown.
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the City of the need to modify or supplement the final Official Statement.

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

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

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

No Fiduciary or Advisory Role; Arm's Length Transaction. The underwriters and the City acknowledge and agree that (i) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between City, on the one hand, and the underwriters, on the other hand, (ii) in connection with such transaction, each underwriter is acting solely as a principal and not as a municipal advisor, a financial advisor, or a fiduciary of the City, and may have financial and other interests that differ from those of the City, (iii) the underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Certificates or the discussions, undertakings and procedures leading thereto (whether or not any underwriter, or any affiliate of an underwriter, has provided or is currently providing services or advice to City on other matters), (iv) the only obligations the underwriters have to the City with respect to the transactions contemplated hereby are expressly set forth in this Purchase Contract, and (v) the City and the underwriters have consulted with their respective legal, financial and other advisors to the extent they deemed appropriate in connection with the offering of the Certificates. None of the underwriters is acting as a Municipal Advisor (as defined in Section 15B of the Exchange Act of 1934, as amended) in connection with the matters contemplated by this Purchase Contract.

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the City.

Dated: _____, 2020.

EXHIBIT A

[FORM OF ISSUE PRICE CERTIFICATE
(IF THE SALE MEETS THE REQUIREMENTS FOR THE COMPETITIVE SALE
METHOD OF ESTABLISHING ISSUE PRICE)]

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

\$ _____ *

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

UNDERWRITER'S CERTIFICATE

[-], [shortened name of lead underwriter] as Underwriter for the certificates identified above (the "Issue"), issued by the City and County of San Francisco (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) Issue Price.

(A) As of the Sale Date, the reasonably expected initial offering prices of the Issue to the Public by [name of underwriter] are the prices listed in the final Official Statement, dated [-], for the Issue (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Issue used by [name of underwriter] in formulating its bid to purchase the Issue. Attached as Schedule A is a true and correct copy of the bid provided by [name of underwriter] to purchase the Issue.

(B) [name of underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(C) The bid submitted by [name of underwriter] constituted a firm offer to purchase the Issue.

(D) The aggregate of the Expected Offering Prices of each Maturity is \$[-] (the "Issue Price").

(E) Definitions.

"Maturity" means Certificates of the Issue with the same credit and payment terms. Certificates of the Issue with different maturity dates, or Certificates of the Issue with the same maturity date but different stated interest rates, are treated as separate Maturities.

* Preliminary, subject to change.

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

“Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Issue. The Sale Date of the Issue is [DATE].

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

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer’s Tax Compliance Certificate or in Attachment A to it.

(2) **Yield.** The Yield on the Issue is [-]%, being the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the Issue Price of the Issue as stated in paragraph (1) [and computed with the adjustments stated in paragraphs (5) and (6)].

(3) **Weighted Average Maturity.** The weighted average maturity (defined below) of the Issue is [-] years. The weighted average maturity of an issue is equal to the sum of the products of the issue price of each maturity of the issue and the number of years to the maturity date of the respective maturity (taking into account mandatory but not optional redemptions), divided by the issue price of the entire issue.

(4) **Underwriter’s Discount.** The Underwriter’s discount is \$[-], being the amount by which the aggregate Issue Price (as set forth in paragraph (1)) exceeds the price paid by the [name of underwriter] to the Issuer for the Issue.

[(5) **Discount Maturities Subject to Mandatory Early Redemption.** No Maturity that is subject to mandatory early redemption has a stated redemption price that exceeds the Expected Offering Price of such Maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of years to its weighted average maturity date.]

[Or]

[(5) **Discount Maturities Subject to Mandatory Early Redemption.** The stated redemption price at maturity of the Maturities that mature in the year[s] 20__, which Maturities are the only Maturities of the Issue that are subject to mandatory early redemption [revise as appropriate], exceeds the Expected Offering Price of such Maturities by more than one-fourth of 1% multiplied by the product of the stated redemption price at maturity and the

number of years to the weighted average maturity date of such Maturities. Accordingly, in computing the Yield on the Issue stated in paragraph (2), those Maturities were treated as redeemed on each mandatory early redemption date at their present value rather than at their stated principal amount.]

[(6) **Premium Maturities Subject to Optional Redemption.** No Maturity of the Issue:

- Is subject to optional redemption within five years of the Issuance Date of the Issue.
- That is subject to optional redemption has an Expected Offering Price that exceeds its stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of complete years to its first optional redemption date.]

[Or]

[(6) **Premium Maturities Subject to Optional Redemption.** The Maturities that mature in the year[s] 20[-] are the only Maturities that are subject to optional redemption before maturity and have an Expected Offering Price that exceeds their stated redemption price at maturity by more than one fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), each such Maturity was treated as retired on its optional redemption date or at maturity to result in the lowest yield on that Maturity. No Maturity is subject to optional redemption within five years of the Issuance Date of the Issue.]

[Or]

[(5) **No Discount or Premium Maturities.** No Maturity was sold at an original issue discount or premium.]

[(6 or 7) **No Stepped Coupon Maturities.** No Maturity bears interest at an increasing interest rate.

[Remainder of page intentional left blank]

The signer is an officer of [name of underwriter] and duly authorized to execute and deliver this Certificate of [name of underwriter]. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [name of underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Squire Patton Boggs (US) LLP and Curls Bartling P.C., as Co-Special Counsel, in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: [ISSUE DATE]

[[NAME OF UNDERWRITER]]

By: _____

Title: _____

SCHEDULE A

COPY OF [NAME OF UNDERWRITER]'S BID

(Attached)

[Exhibit/Attachment] []-2]
to Tax Compliance Certificate
of Issuer

Pertaining to

§ _____*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

CERTIFICATE OF CO-MUNICIPAL ADVISORS

The undersigned, on behalf of each of KNN Public Finance, Inc. LLC and Ross Financial, (each a "Municipal Advisor" and together, the "Co-Municipal Advisors") as municipal advisor to the City and County of San Francisco (the "Issuer") in connection with the issuance of the above-captioned obligations (the "Issue"), has assisted the Issuer in soliciting and receiving bids from potential underwriters in connection with the sale of the Issue in a competitive bidding process in which bids were requested for the purchase of the Issue at specified written terms, and hereby certifies as set forth below with respect to the bidding process and award of the Issue and with respect to certain financial terms of the Issue.

1. The Issue was offered for sale at specified written terms more particularly described in the Notice of Sale, which was distributed to potential bidders, a copy of which is attached to this certificate as Attachment 1.

2. The Notice of Sale was disseminated electronically through the Ipreo LLC's BidCOMP™/PARITY® System, [and a copy of the Notice of Sale (or a summary thereof) was published in The Bond Buyer® newspaper on [DATE]]. The method[s] of distribution of the Notice of Sale [is][are] regularly used for purposes of disseminating notices of sale of new issuances of municipal bonds, and notices disseminated in such manner are widely available to potential bidders.

3. To the knowledge of the Co-Municipal Advisors, all bidders were offered an equal opportunity to bid to purchase the Issue so that, for example, if the bidding process afforded any opportunity for bidders to review other bids before providing a bid, no bidder was given an opportunity to review other bids that was not equally given to all other bidders (that is, no exclusive "last-look").

4. The Issuer received bids from at least three bidders who represented that they have established industry reputations for underwriting new issuances of municipal bonds. Based upon the knowledge and experience of each Municipal Advisor in acting as the municipal advisor for

* Preliminary, subject to change.

other municipal issues, the Co-Municipal Advisors believe those representations to be accurate. Copies of the bids received are attached to this certificate as Attachment 2.

5. The winning bidder was [name of underwriter] (“[name of underwriter]”), whose bid was determined to be the best conforming bid in accordance with the terms set forth in the Notice of Sale, as shown in the bid comparison attached as Attachment 3 to this certificate. The Issuer awarded the Issue to [name of underwriter].

Each signer is an officer of the respective Municipal Advisor and duly authorized to execute and deliver this Certificate of the Co-Municipal Advisors. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Co-Municipal Advisors’ interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Squire Patton Boggs (US) LLP and Curls Bartling P.C., as Co-Special Counsel, in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue. No other persons may rely on the representations set forth in this certificate without the prior written consent of the Co-Municipal Advisors.

Dated: [ISSUE DATE]

KNN PUBLIC FINANCE, INC. LLC

By: _____
name: _____

ROSS FINANCIAL

By: _____
name: _____

ATTACHMENT 1

NOTICE OF SALE

(Attached)

ATT-1

654

ATTACHMENT 2

BIDS RECEIVED

(Attached)

ATTACHMENT 3
BID COMPARISON
(Attached)

EXHIBIT B

[FORM OF ISSUE PRICE CERTIFICATE
(IF THE SALE DOES NOT MEET THE REQUIREMENTS FOR THE COMPETITIVE
SALE METHOD OF ESTABLISHING ISSUE PRICE)]

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

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

UNDERWRITER'S CERTIFICATE

[-] (“[shortened name of lead underwriter]”), as Underwriter for the certificates identified above (the “Issue”), issued by the City and County of San Francisco (the “Issuer”), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(2) Issue Price.

[If the issue price is determined using only the general rule (actual sales of at least 10%) in Regulations § 1.148-1(f)(2)(i):

(A) As of the date of this certificate, for each Maturity of the Issue, the first price at which at least 10% of such Maturity of the Issue was sold to the Public is the respective price listed in the final Official Statement, dated [-], for the Issue (the “Sale Price” as applicable to respective Maturities). The aggregate of the Sale Prices of each Maturity is \$[-] (the “Issue Price”).]

[If the issue price is determined using a combination of actual sales (Regulations § 1.148-1(f)(2)(i)) and hold-the-offering-price (Regulations § 1.148-1(f)(2)(ii)):

(A) As of the date of this certificate, for each Maturity listed on Schedule A as the “General Rule Maturities,” the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A (the “Sale Price” as applicable to each Maturity of the General Rule Maturities).

(B) On or before the Sale Date, [name of underwriter] offered the Maturities listed on Schedule A as the “Hold-the-Offering-Price Maturities” to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices” as applicable to each Maturity of the Hold-the-Offering-Price Maturities). A copy of the pricing wire or equivalent communication for the Issue is attached to this certificate as Schedule B.

* Preliminary, subject to change.

(C) As set forth in the Notice of Sale and bid award, [name of underwriter] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Issue during the Holding Period.

(D) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[-] (the "Issue Price").]

[If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

(A) [Name of underwriter] offered, on or before the Sale Date, each Maturity of the Issue to the Public for purchase at the respective initial offering prices listed in the final Official Statement, dated [-], for the Issue (the "Initial Offering Prices"). A copy of the pricing wire or equivalent communication for the Issue is attached to this certificate as Schedule A. The aggregate of the Initial Offering Prices of each Maturity is \$[-] (the "Issue Price").

(B) As set forth in the Notice of Sale and bid award, [name of underwriter] has agreed in writing that, (i) for each Maturity of the Issue, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Issue at a price that is higher than the respective Initial Offering Price for that Maturity of the Issue during the Holding Period.]

[(B),(E), or (C)] Definitions. [NOTE: If issue price is determined using only the general rule (actual sales of 10%), delete the definitions of "Holding Period" and "Sale Date."]

["Holding Period" means, for each Hold-the-Offering-Price Maturity of the Issue, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which [Name of underwriter] has sold at least 10% of such Maturity of the Issue to the Public at a price that is no higher than the Initial Offering Price for such Maturity.]

“Maturity” means Certificates of the Issue with the same credit and payment terms. Certificates of the Issue with different maturity dates, or Certificates of the Issue with the same maturity date but different stated interest rates, are treated as separate Maturities.

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

[“Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Issue. The Sale Date of the Issue is [DATE].]

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

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer’s Tax Compliance Certificate or in Attachment A to it.

(2) **Yield.** The Yield on the Issue is [-]%, being the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the Issue Price of the Issue as stated in paragraph (1) [and computed with the adjustments stated in paragraphs (5) and (6)].

(3) **Weighted Average Maturity.** The weighted average maturity (defined below) of the Issue is [-] years. The weighted average maturity of an issue is equal to the sum of the products of the issue price of each maturity of the issue and the number of years to the maturity date of the respective maturity (taking into account mandatory but not optional redemptions), divided by the issue price of the entire issue.

(4) **Underwriter’s Discount.** The Underwriter’s discount is \$[-], being the amount by which the aggregate Issue Price (as set forth in paragraph (1)) exceeds the price paid by [name of underwriter] to the Issuer for the Issue.

[(5) **Discount Maturities Subject to Mandatory Early Redemption.** No Maturity that is subject to mandatory early redemption has a stated redemption price that exceeds the Sale Price or Initial Offering Price, as applicable, of such Maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of years to its weighted average maturity date.]

[Or]

[(5) **Discount Maturities Subject to Mandatory Early Redemption.** The stated redemption price at maturity of the Maturities that mature in the year[s] 20__, which Maturities are the only Maturities of the Issue that are subject to mandatory early redemption [revise as appropriate], exceeds the Sale Price or Initial Offering Price, as applicable, of such Maturities by more than one-fourth of 1% multiplied by the product of the stated redemption price at maturity and the number of years to the weighted average maturity date of such Maturities. Accordingly, in computing the Yield on the Issue stated in paragraph (2), those Maturities were treated as redeemed on each mandatory early redemption date at their present value rather than at their stated principal amount.]

[(6) **Premium Maturities Subject to Optional Redemption.** No Maturity:

- Is subject to optional redemption within five years of the Issuance Date of the Issue.
- That is subject to optional redemption has an Initial Offering Price or Sale Price, as applicable, that exceeds its stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of complete years to its first optional redemption date.]

[Or]

[(6) **Premium Maturities Subject to Optional Redemption.** The Maturities that mature in the year[s] 20[-] are the only Maturities that are subject to optional redemption before maturity and have an Initial Offering Price or Sale Price, as applicable, that exceeds their stated redemption price at maturity by more than one fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), each such Maturity was treated as retired on its optional redemption date or at maturity to result in the lowest yield on that Maturity. No Maturity is subject to optional redemption within five years of the Issuance Date of the Issue.]

[Or]

[(5) **No Discount or Premium Maturities.** No Maturity was sold at an original issue discount or premium.]

[(6 or 7) **No Stepped Coupon Maturities.** No Maturity bears interest at an increasing interest rate.

[Remainder of page intentional left blank]

The signer is an officer of [name of underwriter] and duly authorized to execute and deliver this Certificate of [name of underwriter]. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [name of underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Squire Patton Boggs (US) LLP and Curis Bartling P.C., as Co-Special Counsel, in connection with rendering its opinion that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Issue.

Dated: [ISSUE DATE]

[NAME OF UNDERWRITER]

By: _____

Title: _____

[EITHER]

[If the issue price is determined using a combination of the general rule (actual sales) and hold-the-offering-price rule:

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES
(Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)]

[OR]

[If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

SCHEDULE A
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)]

OFFICIAL NOTICE OF SALE

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION,
SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

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

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

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

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

DELIVERY DATE: _____, 2020

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION,
SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

NOTICE IS HEREBY GIVEN that electronic bids will be received through the Ipreo LLC's BIDCOMP™/PARITY® System ("Parity") at www.newissuehome.i-deal.com for the purchase of all, but not less than all, of the City and County of San Francisco's (the "City") above-captioned certificates of participation (the "Certificates") as more particularly described herein. Bidding procedures and sale terms are as follows:

- Issue:** The Certificates are described in the City's Preliminary Official Statement for the Certificates dated _____, 2020 (the "Preliminary Official Statement").
- Time:** Bids for the Certificates must be received electronically by __:00 a.m., California time, on _____, 2020 (subject to postponement or cancellation in accordance with this Official Notice of Sale).
- Place:** Bidders may only submit electronic bids in the manner and subject to the terms and conditions described under "TERMS OF SALE - Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON _____, 2020*, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE - FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than [1]:00 p.m., California time, on the business day preceding the new date for receiving bids.

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

- (i) KNN Public Finance, Inc. LLC
1300 Clay Street, Suite 1000
Oakland, CA 94612
Telephone: 510-208-8205

* Preliminary, subject to change.

Attention: David Brodsky (email: dbrodsky@knninccom)

- (ii) Ross Financial
1736 Stockton Street, Suite One
San Francisco, CA 94133
Telephone: 415-912-5612
Attention: Peter Ross (email: rossfinancial@smkc.com)

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

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

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

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

TERMS RELATING TO THE CERTIFICATES

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

IN ALL RESPECTS BY THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. The Certificates will be executed and delivered as fully registered certificates without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the winning bidder of the Certificates (the “Purchaser”), all dated the date of delivery, which is expected to be _____, 2020*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Certificates.

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

Interest Rates. Interest on the Certificates will be payable on _____ 1, 20__, and semi-annually thereafter on [April] 1 and [October] 1 of each year (each an “Interest Payment Date”). Interest shall be calculated on the basis of a 30-day month, comprised of twelve 30-day months from the dated date of the Certificates. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid for the Certificates must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity shall not exceed __% per annum;
- (iii) no Certificate shall bear a zero rate of interest;
- (iv) each Certificate shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and
- (v) all Certificates maturing at any one time shall bear the same rate of interest.

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

Principal Payments of the Certificates. The Certificates shall be serial and/or term Certificates, as specified by each bidder. Principal shall be payable on [April] 1 of each year, commencing on [April] 1, 20__, as shown below. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), the final maturity of the Certificates shall be [April] 1, [20__]. The principal amount of the Certificates maturing or subject to sinking account installment prepayment in any year shall be in integral multiples of \$5,000. [For any term Certificates specified, the principal amount for a given year may be allocated only to a single term Certificate and must be part of an uninterrupted annual sequence from the first sinking account installment prepayment to the term Certificate maturity.]

* Preliminary, subject to change.

The aggregate amount of the principal amount of the serial maturity or account installment prepayment for the Certificates is shown below for information purposes only. Bidders for the Certificates will provide bids for all of the Principal Amounts.

Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), and to adjustment as provided in this Official Notice of Sale (see "Adjustment of Principal Payments"), the aggregate principal amount of the serial maturity or sinking account installment prepayment for the Certificates in each year is as follows:

[2020B] Certificates

Maturity Date <u>([April] 1)</u>	<u>Principal Amount*</u>
	\$ _____

TOTAL \$ _____

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. The City reserves the right to change the principal payment schedule set forth above for the Certificates after the determination of the winning bidder, by adjusting one or more of the principal payments of the Certificates, in increments of \$5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to the Certificates shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for Certificates. Any such adjustment will not change the average per Certificate dollar amount of the underwriter's discount. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the City. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no winning bid may be withdrawn.

* Preliminary, subject to change.

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

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

Prepayment.

(i) Optional Prepayment of the Certificates. The Certificates with a Certificate Payment Date on or after [April] 1, 20__, will be subject to prepayment prior to their respective stated Certificate Payment Dates, in whole or in part on any date on or after [April] 1, 20__ at the option of the City, in the event the City exercises its option under the Lease Agreement to prepay the principal component of the Base Rental Payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium. See the Preliminary Official Statement – ["THE CERTIFICATES – Prepayment of the Certificates - *Optional Prepayment.*"]

(ii) Special Mandatory Prepayment. The Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to the Trust Agreement hereof following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. See the Preliminary Official Statement – ["THE CERTIFICATES – Prepayment of the Certificates – *Special Mandatory Prepayment.*"]

(iii) Sinking Account Installment Prepayment. Certificates with a Certificate Payment Date of [April] 1, 20__, are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [April] 1, beginning [April] 1, 20__, in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of those Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
([April] 1)

Sinking Account
Installment Amount

The Certificates with a Certificate Payment Date of [April] 1, 20 __, are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [April] 1, beginning [April] 1, 20 __, in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
([April] 1)

Sinking Account
Installment Amount

Legal Opinions and Tax Matters. Upon delivery of the Certificates, Squire Patton Boggs (US) LLP. and Curls Bartling P.C., Co-Special Counsel to the City (“Co-Special Counsel”), will deliver their separate legal opinions as to the validity and enforceability and tax status of the Certificates.

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

See the Preliminary Official Statement – [“TAX MATTERS.”]

TERMS OF SALE

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

Form of Bids; Delivery of Bids. Each bid for the Certificates must be: (1) for not less than all of the Certificates offered for sale; (2) unconditional; and (3) submitted via Parity, together with any adjustments made by the City pursuant hereto, by not later than [11]:00 a.m., California time, on the sale date. Bids must conform to the procedures established by Parity. All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. The submission of a bid electronically via Parity shall constitute and be deemed the bidder’s signature on the bid for the purchase of the Certificates.

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

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

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

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

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

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

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

[(2) Such Apparent Winning Bidder shall, promptly after such verbal award, but no later than one hour after the City has given notice of such verbal award, fax or email

to the City (in c/o its Co-Municipal Advisors and to the City's Director of Public Finance at the fax and/or email addresses provided for such purpose) a signed copy of their bid;]

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

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

(5) The City will fax or email to the Apparent Winning Bidder its written final award.

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Certificates and will be contractually bound by the terms of this Official Notice of Sale to purchase the Certificates, which contract shall consist of: (a) this Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity; and (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATED TO THE CERTIFICATES - Adjustment of Principal Payment."

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

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

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

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder to comply with the terms of its bid, the apparent winning bidder for the Certificates must provide to the City a good faith deposit in the amount of \$_____ (the "Good Faith Deposit").

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

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

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

Reoffering Prices, Establishment of Issue Price and Certificate.

(a) The winning bidder for the Certificates shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or, if the competitive sale requirements (defined below) are not satisfied and the parties agree that the 10% test shall apply to the Certificates the sales price or prices of each maturity of the Certificates, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Co-Special Counsel.

(b) The City intends that Treasury Regulation Sections 1.148-1(f)(3)(i) and 1.148-1(f)(2)(iii) (providing a special rule for competitive sales and defining the term "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:

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

- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids for the Certificates from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) In the event that the competitive sale requirements are not satisfied for the Certificates, the City shall so advise the winning bidder. The City may determine to treat (i) the first price at which 10% of any maturity of the Certificates (the "10% test") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Certificates as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the City if any maturity of the Certificates satisfies the 10% test as of the date and time of the award of the Certificates. The City shall promptly advise the winning bidder, at or before the time of award of the Certificates, which maturities of the Certificates shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule. Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Certificates. Bidders should prepare their bids on the assumption that some or all of the maturities of the Certificates will be subject to the hold-the-offering-price rule in order to establish the issue prices of the Certificates. For purposes of this section, Certificates maturing on the same date but having different interest rates (and CUSIP numbers) shall be treated as separate maturities of the Certificates.

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

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION,
SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

PURCHASE CONTRACT

_____, 2020

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

Ladies and Gentlemen:

The undersigned _____, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco (the "City"). Upon the acceptance of this offer by the City, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the certificates of participation captioned above (the "Certificates") is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the City shall be free to sell the Certificates to any other party.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement dated as of May 1, 2009, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented to the date hereof (the "Original Trust Agreement"), including as supplemented by a [Fifth] Supplement to Trust Agreement dated as of ___ 1, 2020, by and between the City and the Trustee (the "[Fifth] Supplement to Trust Agreement" and together with the Original Trust Agreement, the "Trust Agreement").

Inasmuch as this purchase and sale represents a negotiated transaction, the City understands, and hereby confirms, that the Underwriters are not acting as a fiduciary of the City, but rather are acting solely in their capacity as Underwriters for their own account. The Representative represents and warrants to the City that it has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the other Underwriters. Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised jointly by all of the Underwriters or by the Representative on their behalf.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters hereby jointly and severally agree to purchase from the City, and the City agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$ _____ aggregate principal amount of the Certificates.

The Certificates shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The Certificates shall be subject to optional and mandatory prepayment and sinking account prepayments prior to maturity as described in the [Fifth] Supplement to Trust Agreement. The Certificates shall be substantially in the form described in, and shall be executed, delivered and secured under and pursuant to, the [Fifth] Supplement to Trust Agreement. The Certificates shall be as otherwise described in the Official Statement (as hereinafter defined).

The purchase price for the Certificates shall be \$ _____, calculated as the aggregate principal amount of the Certificates in the amount of \$ _____, [plus an original issue premium in the amount of \$ _____ and] less an aggregate underwriters' discount in the amount of \$ _____. The net purchase price due at Closing for the Certificates shall be the aggregate of the purchase price for the Certificates less the amount of the Good Faith Deposit required by Section 9 hereof.

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

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Certificates, dated _____, 2020 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the execution and delivery of the Certificates by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Certificates depending on such matters.

The City shall provide the Underwriters, within seven (7) business days after the date hereof (but in any event at least two (2) business days prior to the Closing Date (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the execution and delivery of the Certificates. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date (as defined herein), the Official Statement with Municipal Securities Rulemaking Board Rule G-

32 (the "MSRB"), or its designees. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "Official Statement."

Section 3. Authorization and Purpose of the Certificates. The City has the authority to execute and deliver the Certificates pursuant to the provisions of Ordinance No. _____ (the "Ordinance"), providing for the execution and delivery of City and County of San Francisco Certificates of Participation, Series [2020B] (Multiple Capital Improvement Projects) in the amount of \$ _____ adopted by the Board of Supervisors of the City (the "Board of Supervisors") on _____, 2020.

The Certificates are being executed and delivered pursuant to the Trust Agreement. The Certificates will represent direct, undivided fractional interests in certain rental payments (the "*Base Rental Payments*") to be made by the City pursuant to a Project Lease, dated as of May 1, 2009 (the "*Original Project Lease*") between the City and Trustee, as amended and supplemented to the date hereof, including as amended and supplemented by the [Fifth] Supplement to Project Lease dated as of ____ 1, 2020, by and between the City and the Trustee (the "[Fifth] Supplement to Project Lease" and together with the Original Project Lease, the "Project Lease"). Pursuant to the Project Lease, the City will pay the Base Rental Payments in consideration for use and occupancy of certain real property owned by the City (the "*Leased Property*"), which the City will lease to the Trustee pursuant to a Property Lease, dated as of May 1, 2009 (the "*Original Property Lease*") between the City and Trustee, as amended and supplemented to the date hereof, including as supplemented by the [Fifth] Supplement to Property Lease, dated as of ____ 1, 2020, by and between the City and the Trustee (the "[Fifth] Supplement to Property Lease" and together with the Original Property Lease, the "Property Lease") and the City will sublease the Leased Property back from the Trustee pursuant to the Project Lease.

The Certificates are being executed and delivered for the purpose of providing funds to (i) finance and/or refinance the Series [] Project (as defined in the [Fifth] Supplement to Trust Agreement; (ii) fund a debt service or other similar reserve, as appropriate; and (iii) pay the costs of issuance of the Certificates.

The Certificates shall be payable solely from, and secured solely by, a pledge of and charge and lien upon the Base Rental Payments to be made by the City pursuant to the Project Lease and are payable to the Trustee by the City from its General Fund for the right by the City to use and occupy the Leased Property for so long as the City has such use and occupancy of the Leased Property. The City has covenanted under the Project Lease that it will take such action as may be necessary to include the Base Rental Payments in its annual budget and to make the necessary annual appropriations therefor.

This Purchase Contract, the Trust Agreement, the Project Lease, the Property Lease, the [Fifth] Supplement to Project Lease and the [Fifth] Supplement to Property Lease and the Continuing Disclosure Certificate (defined herein) are sometimes together referred to in this Purchase Contract as the "City Documents."

Section 4. City Representations, Covenants and Agreements. The City represents and covenants and agrees with each of the Underwriters that as of the date hereof:

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

(b) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry only system) did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement (as hereinafter defined) up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the City to the contrary on or prior to such date.

(d) If the Official Statement is supplemented or amended pursuant to Section 4(e), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) If between the date of delivery of the Official Statement and the end of the underwriting period (i) any event occurs or any fact or condition becomes known to the City that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Representative thereof, and (ii) if in the reasonable opinion of the City or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official

Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

(f) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any such instrument; and the execution and delivery of the City Documents, the adoption of the Ordinance and compliance with the provisions of the City Documents and the Ordinance will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject, which breach, default or conflict would have a material adverse effect on the ability of the City to make Base Rental Payments or perform its obligations under the City Documents or this Purchase Contract.

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the payment of the principal and interest with respect to the Certificates, or the application of the proceeds of the Certificates; (iii) in any way contesting or affecting the validity of the Certificates, the Ordinance, or the City Documents, or contesting the powers of the City or any authority for the execution and delivery of the Certificates, the approval of the Ordinance or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse affect on its ability to pay the Base Rental Payments; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(h) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Representative as may be reasonably requested (i) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative, and (ii) to determine the eligibility of the Certificates for investment under

the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

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

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

(k) The financial statements of the City for the fiscal year ended June 30, 2018, set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(l) The City will undertake, pursuant to the Ordinance and a Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain enumerated events pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. The City has been and is in compliance with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

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

Section 5. Underwriters' Representations, Covenants and Agreements. Each of the Underwriters represents and covenants and agrees with the City that:

(a) The Representative has been duly authorized to enter into this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

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

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

(d) It shall comply with all SEC and MSRB rules applicable to the offering, sale and delivery of the Certificates to the ultimate purchaser.

(e) It shall comply with the City's policy and practice that the City shall not pay, and the Underwriters shall not pass through to the City, any fees that are assessed on the Underwriters as part of the Governmental Accounting Standards Board fee, as well as the MSRB Underwriting and Transaction Assessment, the SIFMA Municipal Assessment or any other industry related fees that are required to be paid solely by the Underwriters.

Section 6. Public Offering.

(a) It shall be a condition to the City's obligations to sell and to deliver the Certificates to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Certificates that the entire \$_____ principal amount of the Certificates shall be issued, sold and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the City with information regarding the reoffering prices and yields on the Certificates, in such form as the City may reasonably request.

(b) The Underwriters agree to make a bona fide public offering of all the Certificates, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The Underwriters may offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) and others at prices lower than the public offering price stated on the cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Certificate during the underwriting period. Each of the Underwriters further agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Certificates.

(c) Issue Price. Notwithstanding any provision of this Purchase Contract to the contrary, the Underwriters and City agree to the following provisions related to the issue price of the Certificates:

(1) For purposes of this section, the following definitions apply:

(i) “*Public*” means any person other than an underwriter or a related party to an underwriter.

(ii) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the City, as accepted and agreed to by its Controller, (or with the lead underwriter for the Certificates to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public).

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

(iv) “*Sale Date*” means the date of execution of this Purchase Contract by all parties.

(2) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Co-Special Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates.

(3) The Representative confirms that the Underwriters have offered the Certificates to the public on or before the date of this Purchase Contract at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Appendix A attached hereto, except as otherwise set forth herein. The City will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Representative shall report to the City the price or prices at which the Underwriters have sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the

Certificates, the Representative agrees to promptly report to the City the prices at which Certificates of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold to the public.

(4) Schedule I also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the City and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriters will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5th) business day after the sale date; or
- (ii) the date on which the Underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

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

The City acknowledges that, in making the representation set forth in this Section 6; the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

(5) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Certificates of that maturity or all Securities of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires;

(ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires; and

(6) The Underwriters understand that sales of any Certificates to any person that is a Related Party to an underwriter shall not constitute sales to the Public for purposes of this Section 6.

Section 7. Closing. At ___ a.m., California time, on _____, 2020, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "Closing Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Certificates duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 8(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Certificates set forth in Section 1.

Payment for the delivery of the Certificates shall be coordinated at the offices of Squire Patton Boggs (US) LLP (and together with Curis Bartling P.C, "Co-Special Counsel"), in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the "Closing." The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Certificates, but neither the failure to print any such number on any Certificate nor

any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Certificates in accordance with the terms of this Purchase Contract. Physical delivery of the Certificates shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Certificates will be made available to the Representative for checking not less than two (2) business days prior to the Closing.

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

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

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

(c)(1) the Underwriters shall have the right to cancel their obligation to purchase the Certificates by written notification from the Representative to the City if at any time after the date of this Purchase Contract and prior to the Closing:

(i) any event shall have occurred or any fact or condition shall have become known which, in the reasonable judgment of the Underwriters upon consultation with the City, Co-Special Counsel and Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

(ii) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which in the reasonable opinion of the Underwriters has the effect of requiring the Certificates to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Ordinance under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies; or

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Certificates or obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

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

(v) there shall have occurred any materially adverse change in the affairs or financial condition of the City, except for changes which the Official Statement discloses are expected to occur; provided however, that any such material adverse change shall have the effect of materially adversely affecting, directly or indirectly, the market price of the Certificates, the ability of the Underwriters to enforce contracts for the Certificates or the sale at the contemplated offering price by the Underwriters of the Certificates;

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

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

(ii) any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission (the "SEC") against the City;

(iii) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either

such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived pursuant to the Ordinance which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Certificates) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Certificates or the market price generally of obligations of the general character of the Certificates;

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

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

(vi) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the SEC, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the delivery, offering or sale of obligations of the general character of the Certificates, or the delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

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

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

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

- (1) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the City by its authorized officer;
- (2) a copy of each executed City Document;
- (3) a copy of the adopted Ordinance, certified by the Clerk of the Board of Supervisors as having been duly enacted by the Board of Supervisors of the City and as being in full force and effect;
- (4) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;
- (5) an opinion of the City Attorney of the City addressed solely to the City substantially in the form attached hereto as Exhibit C;
- (6) opinions of Co-Special Counsel, in substantially the form set forth in Appendix F to the Official Statement;
- (7) supplemental opinions of Co-Special Counsel, addressed to the City and the Underwriters, dated the Closing Date and substantially in the form attached hereto as Exhibit D;
- (8) an opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, addressed to the City in form and substance acceptable to the City and the City Attorney;
- (9) an opinion of _____, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;
- (10) Tax Certificate of the City regarding the Certificates in form satisfactory to Co-Special Counsel;
- (11) evidence of required filings with the California Debt and Investment Advisory Commission;
- (12) evidence satisfactory to the Representative that Moody's Investors Service, Inc., S&P Global Ratings and Fitch, Inc. have assigned the ratings to the Certificates set forth in the Official Statement;

(13) the Continuing Disclosure Certificate duly executed by the City; and

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

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel. If the City is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Certificates contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Certificates are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 10 of this Purchase Contract shall continue in full force and effect.

Section 9. Good Faith Deposit. To secure the City from any loss resulting from the failure of the Underwriters to comply with the terms of this Purchase Contract, the Representative has sent to the City Treasurer a wire transfer (in immediately available funds) payable to the order of the City Treasurer, for the benefit of the City, in the amount of \$_____, (the "Good Faith Deposit"), the receipt of which is hereby acknowledged by the City. The Good Faith Deposit will, immediately upon the City's acceptance of this offer, become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. At the Closing, the Underwriters shall pay or cause to be paid the net aggregate purchase price of the Certificates (as specified in Section 1 of this Purchase Contract) which takes into account the Good Faith Deposit. If the Underwriters fail to pay the purchase price in full upon tender of the Certificates (other than for a reason expressly set forth in Section 8 of this Purchase Contract), the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefor, and the Good Faith Deposit, together with any interest thereon, will be retained by the City as and for liquidated damages for such failure by the Underwriters. Retention of the Good Faith Deposit shall constitute the City's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Certificates pursuant to the terms of this Purchase Contract. Upon such retention, the Underwriters shall be released and discharged from any and all claims for damages by the City against the Underwriters related to such failure and any other defaults by Underwriters hereunder. The Underwriters and the City hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the City would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Certificates pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the amount of damages that would be sustained in such event. Each of the Underwriters

waives any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

Section 10. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Special Counsel, Disclosure Counsel and KNN Public Finance Inc. LLC, Oakland, California and Ross Financial, San Francisco, California (the "Co-Municipal Advisors"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Certificates; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Certificates.

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

Section 11. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

If to the City:

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

If to the Underwriters:

Telephone: _____
Fax: _____

Section 12. Parties in Interest. This Purchase Contract is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Certificates; pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 13. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Purchase Contract may be signed in counterparts, and upon delivery to the other party of such signed Purchase Contract, which delivery may be by facsimile transmission, shall constitute the binding agreement of each party to this Purchase Contract.

Section 15. Governing Law; Venue. This Purchase Contract shall be governed by and interpreted under the laws of the State of California. Venue for all litigation relative to the formation, interpretation and performance of this Purchase Contract shall be in the City and County of San Francisco.

Section 16. City Contracting Requirements. The City Contracting Requirements sets forth in Attachment A attached hereto are incorporated herein by this reference.

Section 17. Headings. The Section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 18. Entire Agreement. This Purchase Contract, when accepted by the City, shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or assigns of any Underwriter with the consent of the City) and no other person shall acquire or have any right hereunder by virtue hereof. All of the City's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation

made by or on behalf of the Underwriters, (b) delivery of and payment for the Certificates hereunder, and (c) any termination of this Purchase Contract.

Section 19. No Fiduciary or Advisory Role; Arm's Length Transaction. The Underwriters and the City acknowledge and agree that (i) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between City, on the one hand, and the Underwriters, on the other hand, (ii) in connection with such transaction, each Underwriter is acting solely as a principal and not as a municipal advisor, a financial advisor, or a fiduciary of the City, and may have financial and other interests that differ from those of the City, (iii) the Underwriters have not assumed (individually or collectively) a fiduciary responsibility in favor of the City with respect to the offering of the Certificates or the discussions, undertakings and procedures leading thereto (whether or not any Underwriter, or any affiliate of an Underwriter, has provided or is currently providing services or advice to City on other matters), (iv) the only obligations the Underwriters have to the City with respect to the transactions contemplated hereby are expressly set forth in this Purchase Contract, and (v) the City and the Underwriters have consulted with their respective legal, financial and other advisors to the extent they deemed appropriate in connection with the offering of the Certificates. None of the Underwriters is acting as a Municipal Advisor (as defined in Section 15B of the Exchange Act of 1934, as amended) in connection with the matters contemplated by this Purchase Contract.

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

Very truly yours,

[UNDERWRITERS]

By: _____, as Representative

By: _____
[Title]

CITY AND COUNTY OF SAN FRANCISCO

By: _____

Deputy Controller

ACCEPTED at [_____] [a.m./p.m.] Pacific Time this ___ day of _____, 2020

APPROVED AS TO FORM:

DENNIS J. HERRERA,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

ATTACHMENT A

CITY CONTRACTING PROVISIONS

The following provisions shall apply to this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this Attachment shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

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

(b) *Nondiscrimination in the Provision of Employee Benefits.* San Francisco Administrative Code 12B.2. Each Underwriter does not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

(c) *Condition to Contract.* As a condition to the Purchase Contract, each Underwriter shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

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

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

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

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

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

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

7. Limitations on Contributions. By executing this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee; from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The prohibition on contributions applies to each prospective party to the contract; each member of each Underwriter's board of directors; each Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Each Underwriter must inform each such person of the limitation on contributions imposed by Section 1.126 and provide the names of the persons required to be informed to City.

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

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

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

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

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

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

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

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

13. Reserved.

14. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated into this Purchase Contract. Under San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

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

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

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

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

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

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

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

SCHEDULE I
MATURITY SCHEDULE

\$ _____

Certificates of Participation, Series [2020B]

Maturity Date ([April] 1)	Principal Amount	Interest Rate	Yield	Price
------------------------------	---------------------	------------------	-------	-------

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE

Pertaining to

\$[-]*

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION, SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

UNDERWRITER'S CERTIFICATE

[-] (“[shortened name of Representative]”), for itself and as representative of the Underwriters (collectively, the “Underwriting Group”) for the certificates identified above (the “Issue”), issued by the City and County of San Francisco (the “Issuer”), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) Issue Price.

(A) The Underwriting Group offered, on or before the Sale Date, each Maturity of the Issue to the Public for purchase at the respective initial offering prices listed in the final Official Statement, dated [-], for the Issue (the “Initial Offering Prices”). A copy of the pricing wire or equivalent communication for the Issue is attached to this certificate as Schedule A. The aggregate of the Initial Offering Prices of each Maturity is \$[-] (the “Issue Price”).

(B) As set forth in the Purchase Contract the members of the Underwriting Group have agreed in writing that, (i) for each Maturity of the Issue, they would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Issue at a price that is higher than the respective Initial Offering Price for that Maturity of the Issue during the Holding Period.

(C) Definitions.

“Holding Period” means, for each Hold-the-Offering-Price Maturity of the Issue, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which the Underwriting Group has sold at least 10% of such Maturity of the Issue to the Public at a price that is no higher than the Initial Offering Price for such Maturity.]

“Maturity” means Certificates of the Issue with the same credit and payment terms. Certificates of the Issue with different maturity dates, or Certificates of the Issue with the same maturity date but different stated interest rates, are treated as separate Maturities.

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

“Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Issue. The Sale Date of the Issue is [DATE].

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

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer’s Tax Compliance Certificate or in Attachment A to it.

(2) **Yield.** The Yield on the Issue is [-]%, being the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the Issue Price of the Issue as stated in paragraph (1) [and computed with the adjustments stated in paragraphs (7) and (8)].

(3) **Weighted Average Maturity.** The weighted average maturity (defined below) of the Issue is [-] years. The weighted average maturity of an issue is equal to the sum of the products of the issue price of each maturity of the issue and the number of years to the maturity date of the respective maturity (taking into account mandatory but not optional redemptions), divided by the issue price of the entire issue.

(4) **Underwriter’s Discount.** The Underwriter’s discount is \$[-], being the amount by which the aggregate Issue Price (as set forth in paragraph (1)) exceeds the price paid by [name of underwriter] to the Issuer for the Issue.

(5) **[Discount Maturities Subject to Mandatory Early Redemption.** No Maturity that is subject to mandatory early redemption has a stated redemption price that exceeds the Sale Price or Initial Offering Price, as applicable, of such Maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of years to its weighted average maturity date.]

[Or]

(5) **[Discount Maturities Subject to Mandatory Early Redemption.** The stated redemption price at maturity of the Maturities that mature in the year[s] 20[-], which Maturities are the only Maturities of the Issue that are subject to mandatory early redemption **[revise as appropriate]**, exceeds the Sale Price or Initial Offering Price, as applicable, of such Maturities by more than one-fourth of 1% multiplied by the product of the stated redemption price at maturity and the number of years to the weighted average maturity date of such Maturities. Accordingly, in computing the Yield on the Issue stated in paragraph (2), those Maturities were treated as redeemed on each mandatory early redemption date at their present value rather than at their stated principal amount.]

(6) **[Premium Maturities Subject to Optional Redemption. No Maturity:**

- Is subject to optional redemption within five years of the Issuance Date of the Issue.
- That is subject to optional redemption has an Initial Offering Price or Sale Price, as applicable, that exceeds its stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of complete years to its first optional redemption date.]

[Or]

(6) **[Premium Maturities Subject to Optional Redemption.** The Maturities that mature in the year[s] 20[-] are the only Maturities that are subject to optional redemption before maturity and have an Initial Offering Price or Sale Price, as applicable, that exceeds their stated redemption price at maturity by more than one fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), each such Maturity was treated as retired on its optional redemption date or at maturity to result in the lowest yield on that Maturity. No Maturity is subject to optional redemption within five years of the Issuance Date of the Issue.]

[Or]

[(5) No Discount or Premium Maturities. No Maturity was sold at an original issue discount or premium.]

[(6 or 7) No Stepped Coupon Maturities. No Maturity bears interest at an increasing interest rate.

FORM OF UNDERWRITER'S CERTIFICATE

EXHIBIT B

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION,
SERIES [2020B]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

FORM OF CERTIFICATE OF THE CITY

The undersigned _____, _____ and _____, respectively, of the City and County of San Francisco ("the City"), acting in their official capacities, hereby certify as follows in connection with the execution, delivery and sale of the certificates of participation captioned above (the "Certificates"):

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (the "State"), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the _____ the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the City and the Purchase Contract, dated _____, 20__ (the "Purchase Contract"), between the City and _____, acting on its behalf and on behalf of _____, as underwriters. The Continuing Disclosure Certificate and the Purchase Contract are sometimes referred to in this Certificate as the "City Documents." Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The persons named below are now, and at all times from and after _____ 1, 20__, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

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

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

5. Except for any information about book-entry or The Depository Trust Company, included therein, as to which we express no opinion or view, as of the date thereof, the Official Statement as of its date did not, and as of the date hereof, does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

7. No litigation is pending (with service of process having been accomplished) or, to the knowledge of the undersigned, threatened (a) to restrain or enjoin the execution of or the delivery of the Certificates, the execution of and performance by the City under the City Documents or the use and occupancy by the City of the [2020B] Project (as defined in the Ordinance) or (b) in any way contesting or affecting the validity of the Certificates, the City Documents or the performance by the City under the City Documents.

8. There is no litigation pending (with service of process having been accomplished), or, to the knowledge of the undersigned, threatened against the City or involving any of the property or assets under the control of the City, including, without limitation, the Facilities that involves the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or in the condition, financial, physical, legal or otherwise, of the City or of the [Facilities].

9. The City does hereby certify that Ordinance No. _____, adopted by the Board of Supervisors of the City on _____, 20__ and signed by the Mayor of the City on _____, 20__, was duly adopted at proceedings duly conducted by the City and that such Ordinance is in full force and effect and have not been amended, modified or rescinded as of the date hereof.

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

Dated: _____, 2020.

Name

Office

Signature

EXHIBIT C
FORM OF OPINION OF CITY ATTORNEY

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-SPECIAL COUNSEL



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

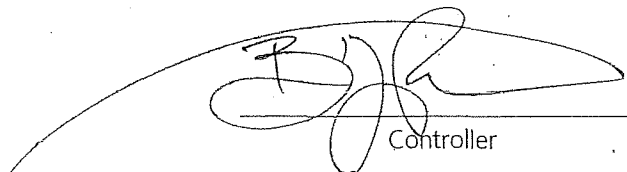
Certification by Controller Regarding Official Statements

Board of Supervisors:

I have reviewed the Preliminary Official Statement for the CCSF Certificates of Participation (COPs) Series 2020 (Multiple Capital Improvement Projects) prepared as of the date hereof ("POS"), for Hall of Justice tenant improvements and consolidation projects, scheduled for Board of Supervisors introduction on September 3, 2019 and compared the information contained in the POS with the City's Financial Statements. Subject to Board approval of the proposed execution and delivery of the COPs, I will update and finalize the POS, and review the POS to identify any misstatement or omissions in consultation with the City Attorney and Disclosure Counsel (as necessary), and prior to the distribution of the POS to the investing market I will certify that, to the best of my knowledge:

1. the Disclosure Document fairly presents, in all material respects, the financial condition and results of operations of the City;
2. the Disclosure Document does not make any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and
3. that the financial statements and other financial information from the City Financial Statements included in such Disclosure Document, if any, fairly present in all material respects the financial condition and results of operations of the City as of, and for, the periods presented in the City Financial Statements.

The final certification will be in the transcript of proceedings relating to the COPs.



Controller

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

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Squire Patton Boggs (US) LLP and Curis Bartling P.C., Co-Special Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) interest evidenced by the Certificates is exempt from State of California personal income taxes. Interest evidenced by the Certificates may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.



\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2020
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

evidencing proportionate interests of the Owners thereof in a Project Lease,
including the right to receive Base Rental payments to be made by the
CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

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

The Certificates captioned above (the "Certificates") will be sold to provide funds to: (i) finance and refinance the acquisition of certain real property within the City and County of San Francisco (the "City") and the related site demolition and preparation, including through the retirement of certain taxable commercial paper notes of the City issued for such purpose; and (ii) pay costs of execution and delivery of the Certificates. See "PLAN OF FINANCE AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the [Fourth] Supplement to Trust Agreement, dated as of _____, 2020 (as supplemented and amended, the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by that certain [Fourth] Supplement to Project Lease, dated as of _____, 2020 (as so supplemented and amended, the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the site and facilities subject to the Project Lease (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement." The Leased Property generally consists of the site and facilities of the City's Laguna Honda Hospital, except certain portions thereof as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY" herein.

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year, commencing _____, 20____. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE PROJECT LEASE AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."

BIDS FOR THE PURCHASE OF THE CERTIFICATES WILL BE RECEIVED BY THE CITY AT _____ A.M. PACIFIC TIME ON _____, 2020, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED _____, 2020, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF THE CERTIFICATES" herein.

MATURITY SCHEDULE

(See inside cover)

The Certificates are offered when, as and if executed and received by the Purchaser, subject to the approval of the validity of the Project Lease by Squire Patton Boggs (US) LLP, San Francisco, California and Curis Bartling P.C., Oakland, California, Co-Special Counsel, and certain other conditions. 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. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about _____, 2020.

Dated: _____, 2020.

* Preliminary, subject to change.

MATURITY SCHEDULE

(Base CUSIP¹ Number: _____)

<u>Certificate Payment Date</u> (April 1)	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price/Yield²</u>	<u>CUSIP¹ Suffix</u>
--	-------------------------	----------------------	--------------------------------	---------------------------------

[\$ _____ % Term Certificates due April 1, _____ - Price/Yield² _____ % CUSIP¹ Number: _____]

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

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

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

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

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

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

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

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

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

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

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

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

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

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

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

PROFESSIONAL SERVICES

Co-Special Counsel

Squire Patton Boggs (US) LLP
San Francisco, California

Curis Bartling P.C.
Oakland, California

Co-Municipal Advisors

KNN Public Finance, Inc. LLC
Oakland, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Trustee

U.S. Bank National Association
[San Francisco], California

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OFFICIAL STATEMENT

§[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2020 ____
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

evidencing proportionate interests of the Owners thereof in a Project Lease,
including the right to receive Base Rental payments to be made by the
CITY AND COUNTY OF SAN FRANCISCO

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Certificates of Participation, Series 2020 ____ (Multiple Capital Improvement Projects) (the "Certificates"). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

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

Overview of the Transaction. The City, exercising its Charter powers to convey and lease property for City purposes, has conveyed the Leased Property (as defined hereafter) to U.S. Bank National Association, as trustee (the "Trustee") under the Property Lease (the "Original Property Lease"), dated as of May 1, 2009, by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and as supplemented and amended by that certain [Fourth] Supplement to Property Lease (the "[Fourth] Supplement to Property Lease"), dated as of _____ 1, 2020 (as so supplemented and amended, the "Property Lease"), at a nominal annual rent. The Trustee has leased the Leased Property back to the City for the City's use under the Project Lease (the "Original Project Lease"), dated as of May 1, 2009, by and between the Trustee, as lessor, and the City, as lessee, as previously supplemented and amended and as supplemented and amended by that certain [Fourth] Supplement to Project Lease (the "[Fourth] Supplement to Project Lease"), dated as of _____ 1, 2020 (as so supplemented and amended, the "Project Lease").

The [Fourth] Supplement to Property Lease and the [Fourth] Supplement to Project Lease will amend the Original Property Lease and the Original Project Lease (both as previously supplemented and amended), respectively, to, among other things, add certain property of the City to expand the scope of the Leased Property. Upon the execution of the [Fourth] Supplement to Property Lease and the [Fourth] Supplement to Project Lease, the Leased Property will generally consist of the site and facilities of the City's Laguna Honda Hospital, except certain portions thereof as further described herein. See "PLAN OF FINANCE AND THE LEASED PROPERTY." The City will be obligated under the Project Lease to pay Base Rental payments and other payments to the Trustee each year during the term of the Project Lease (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of Base Rental it will receive from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement (the "Original Trust Agreement"), dated as of May 1, 2009, by and between the City and the Trustee, as previously supplemented and amended and as

supplemented and amended by that certain [Fourth] Supplement to Trust Agreement (the “[Fourth] Supplement to Trust Agreement”), dated as of _____ 1, 2020 (as so supplemented and amended, the “Trust Agreement”), which governs the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City’s direction, to (i) finance and refinance the acquisition of certain real property within the City and the related site demolition and preparation, including through the retirement of certain taxable commercial paper notes of the City issued for such purpose, and (ii) pay costs of execution and delivery of the Certificates. See “PLAN OF FINANCE AND THE LEASED PROPERTY” herein.

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity with all of the \$42,835,000 City and County of San Francisco Certificates of Participation, Series 2012A (Multiple Capital Improvement Projects) (the “2012A Certificates”), currently outstanding in the aggregate principal amount of \$34,050,000, [and the \$ _____ City and County of San Francisco Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects) (the “2019-R1 Certificates”), currently outstanding in the aggregate principal amount of \$ _____]. [In addition, the Board has authorized Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to \$ _____.]

Guide to this Official Statement. The Project and the Leased Property are described herein in the section “PLAN OF FINANCE AND THE LEASED PROPERTY.” The application of the proceeds of sale of the Certificates is described in the sections “PLAN OF FINANCE AND THE LEASED PROPERTY” and “ESTIMATED SOURCES AND USES OF FUNDS.” The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections “THE CERTIFICATES,” “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES,” and other sections in the front portion of this Official Statement. Current information about the City, its finances and governance, are provided in APPENDIX A. The City’s most recent comprehensive annual financial report appears in APPENDIX B. A summary of the Project Lease, the Property Lease, and the Trust Agreement are provided in APPENDIX C.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City 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 Certificates, the Trust Agreement, the Project Lease, the Property Lease, the ordinance providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the “State”), the City’s Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north,

and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. According to the State Department of Finance, the City's population as of January 1, 2019 was 883,869.

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

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

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

The City benefits from a highly skilled, educated and professional labor force. According to the U.S. Department of Commerce Bureau of Economic Analysis, the per-capita personal income of the City for calendar year 2017 was \$119,868. According to the U.S. Department of Labor Bureau of Labor Statistics, the average unemployment rate for calendar year 2018 was 2.4%. As of the 2018-19 school year, the San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County 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 Rim traffic. In fiscal year 2017-18, SFO serviced approximately 58 million passengers and handled 561,150 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's adopted budget for fiscal years 2019-20 and 2020-21 totals \$12.3 billion and \$12.0 billion, respectively. The General Fund portion of each year's adopted budget is \$6.1 billion

in fiscal year 2019-20 and \$6.0 billion in fiscal year 2020-21, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). The City employed 33,045 full-time-equivalent employees at the end of fiscal year 2017-18, of which _____ positions were funded from sources other than the City's General Fund. According to the Controller of the City (the "Controller"), the fiscal year 2018-19 total net assessed valuation of taxable property in the City is approximately \$259.3 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, 2018."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates will be executed and delivered pursuant to the Trust Agreement. Each Certificate will represent a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to the Project Lease. The City will be obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the Leased Property. The Leased Property will be leased by the City to the Trustee pursuant to the Property Lease.

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 351-08, adopted on July 29, 2008 and signed by the Mayor on August 5, 2008. The [Fourth] Supplement to Trust Agreement and the [Fourth] Supplement to Project Lease were approved by the Board of Supervisors of the City by its Ordinance No. _____, adopted on _____, 2019 and signed by the Mayor on _____, 2019 (the "Ordinance"). The Ordinance authorized the execution and delivery of up to \$_____ aggregate principal amount of the Certificates under the Trust Agreement. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation. The City has obtained a judgment in the Superior Court for the City and County of San Francisco validating the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. No validation action has been pursued or is expected to be pursued with respect to the validity of the [Fourth] Supplement to Project Lease, the [Fourth] Supplement to Property Lease, or the [Fourth] Supplement to Trust Agreement. See "VALIDATION ACTION" herein.

Payment of Principal and Interest

The principal evidenced and represented by the Certificates will be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each April 1. Payment of the principal and premium, if any, of the Certificates upon prepayment or upon the Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee. Principal and premium will be payable in lawful money of the United States of America.

Interest evidenced and represented by the Certificates will be payable on April 1 and October 1 of each year, commencing on _____ 1, 20__ (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date

next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date.

Form and Registration

The Certificates will be executed and delivered in the aggregate principal amount shown on the cover hereof.

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of \$5,000 or any integral multiple thereof. Principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or before April 1, 20__ will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 20__ are subject to prepayment prior to their respective stated Certificate Payment Dates, as a whole or in part on any date on or after April 1, 20__, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments, at a prepayment price equal to 100% of the principal amount of Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

Special Mandatory Prepayment

The Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, as a whole or in part on any date, at a Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Prepayment Account of the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental will be applied pro rata among all Outstanding Certificates of any series.

*Mandatory Sinking Account Installment Prepayment**

The Certificates with a Certificate Payment Date of April 1, 20 are subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (April 1)	Sinking Account Installment Amount
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†

† Final Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all of the Outstanding Certificates are to be prepaid, the City will direct the principal amount of the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Among the Certificates scheduled to be paid on a particular Certificate Payment Date, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner which the Trustee in its sole discretion deems fair and appropriate; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 30 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment will specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for

* Preliminary, subject to change.

prepayment, interest with respect thereto, will cease to accrue and be payable. Neither failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

Conditional Notice of Prepayment; Cancellation of Optional Prepayment

The City may provide a conditional notice of prepayment and such notice will specify its conditional status.

If the Certificates are subject to optional prepayment, and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, the prepayment will be canceled, and in such case, the City, the Trustee and the Owners will be restored to their former positions and rights under the Trust Agreement, and the City will continue to pay the Base Rental payments as if no such notice were given. Such a cancellation of an optional prepayment at the election of the City will not constitute a default under the Trust Agreement, and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee shall send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

In the event the City gives notice to the Trustee of its intention to exercise its prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, or fails to satisfy any condition to a conditional notice, the City will continue to pay the Base Rental payments as if no such notice had been given.

Purchase of Certificates

Unless expressly provided otherwise in the Trust Agreement, money held in the Base Rental Fund under the Trust Agreement in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least ten days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City under the Trust Agreement shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay those Certificates. All Certificates so purchased shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

PLAN OF FINANCE AND THE LEASED PROPERTY

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity with all of the 2012A Certificates, currently outstanding in the aggregate principal amount of \$34,050,000, [and the 2019-R1 Certificates, currently outstanding in the aggregate principal amount of \$_____].

Plan of Finance

A portion of the proceeds of the Certificates will be used to finance and refinance the Project, consisting of the City's acquisition of certain real property located at 814-820 Bryant Street, 470 6th Street and 1828 Egbert Avenue in San Francisco, California (collectively, the "HOJ Property"), including through the retirement of certain taxable commercial paper notes of the City issued for the acquisition of the HOJ Property. The HOJ Property will not be part of the Leased Property, which is described under "The Leased Property" below.

The Leased Property

Upon the execution of the [Fourth] Supplement to Property Lease and the [Fourth] Supplement to Project Lease, the Leased Property will generally consist of the site and facilities of the City's Laguna Honda Hospital, except for the portion thereof generally known as Laguna Honda Juvenile Detention Center located at 375 Woodside Avenue, San Francisco, California.

Laguna Honda Hospital was originally constructed in 1866 as an almshouse for San Francisco's poor and homeless. Laguna Honda Hospital is located at 375 Laguna Honda Boulevard in San Francisco, and is operated by the City's Department of Public Health to provide over 1,000 residents with long-term care regardless of their ability to pay, including skilled nursing, AIDS and dementia services, hospice, rehabilitation and acute care. The City also provides adult day health care and senior nutrition programs through this facility. The 62-acre site is on property owned by the City and located on the western slopes of Twin Peaks, near the geographic center of the City. Additional information regarding the Leased Property is summarized below:

Summary of Certain Information Regarding the Leased Property

<u>Facility</u>	<u>Address</u>	<u>Completion Date</u>	<u>Gross Square Feet (Building)</u>	<u>Estimated Value⁽¹⁾</u>
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⁽¹⁾ Based on the City's estimated valuation of the Leased Property. Such estimated values do not necessarily reflect the fair market value of such Leased Property. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

Source: *City and County of San Francisco.*

The Project Lease will require the City to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing fee title of the Site in the name of the City and a leasehold interest in the Leased Property in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - _____."

The City may substitute other improved real property for all or part of the Leased Property under the conditions set forth in the Project Lease. There is no requirement that any substitute property be of the same or a similar nature or function as the then existing Leased Property, and there is no requirement that any substitute property have a market value or fair rental value as great as the then existing Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES - Substitution, Release, and Addition of Leased Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - _____."

The lease term with respect to the Leased Property or a designated portion thereof will end on April 1, [20__], unless such term is extended or sooner terminated as provided in the Project Lease.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:

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

Uses of Funds:

Deposit to Project Subaccount
Costs of Delivery⁽¹⁾
Total Uses

⁽¹⁾ Includes amounts for administrative costs to the City, legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, appraisals and property condition report fees, title insurance fees, printing costs and any other delivery costs, and rounding amounts.

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BASE RENTAL PAYMENT SCHEDULE

The Trust Agreement requires that Base Rental payments payable by the City pursuant to the Project Lease on each March 25 and September 25 be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply amounts in the Base Rental Fund as necessary to make principal and interest payments with respect to the Certificates as the same become due and payable.

The 2012A Certificates [and the 2019-R1 Certificates] are currently outstanding and payable from Base Rental payments required to be made with respect to the Leased Property under the Project Lease. The following table shows total annual Base Rental payments due with respect to the Certificates, the 2012A Certificates [and the 2019-R1 Certificates] secured by Base Rental payments under the Project Lease:

<u>Payment Date</u>	<u>Certificates</u>			<u>2012A Certificates</u>	<u>[2019-R1 Certificates]</u>	<u>Total Annual Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>			

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease has a final termination date of April 1, [20__], or upon early payment of all of the Certificates in accordance with the Trust Agreement, unless extended upon an event of abatement. See “– Abatement of Base Rental Payments” below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding the Rebate Fund), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of the Leased Property), and eminent domain award not required to be used for repair or replacement of the Project or the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property, (iv) all amounts on hand from time to time in the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to complete the Project or to pay costs of execution and delivery of the Certificates); and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. The City will pay to the Trustee the Base Rental payments to the extent required under the Project Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest represented by the Certificates.

Parity Obligations

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity with the 2012A Certificates [and the 2019-R1 Certificates] described under “BASE RENTAL PAYMENT SCHEDULE,” and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement.

Covenant to Budget and Right to Re-let

The City has covenanted in the Project Lease to take such action as may be necessary to include all Rental Payments in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Project Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law.

If the City defaults on its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may either re-let the Leased Property for the account of the City or may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis. Under the Project Lease, the remedy to re-let the Leased Property is subject to applicable laws regarding the use of the Leased Property, including but not limited to applicable laws relating to the use of property financed with general obligation bonds or federal or State grants. See “CERTAIN RISK FACTORS – Limited Recourse on Default; Re-letting of the Leased Property” [and “– Recovery of Federal Funds.”]

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget” and APPENDIX B: “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2018.” For a discussion of the City’s investment

policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

The obligation of the City to make Base Rental or Additional Rental payments under the Project Lease does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

Base Rental Payments; Additional Rental

Base Rental Payments. The City has covenanted in the Project Lease that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee is required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any Fiscal Year will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year.

The Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Project Lease, commencing [with respect to the Certificates on _____ 25, 20__], provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of the Leased Property or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See "--Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City and the City has covenanted in the Project Lease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Project Lease in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Project Lease. See "-- Covenant to Budget" above.

Additional Rental. Additional Rental payments due from the City to the Trustee include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement, deposits required to be made to the Rebate Fund, if any, and all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Project Lease.

Abatement of Base Rental Payments

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Project Lease will be deposited into the Base Rental Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Project Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Project Lease regarding rental abatement. See "CERTAIN RISK FACTORS – Abatement."

Rental Payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in

the Base Rental Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding amounts described in clauses (i), (ii) and (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction, condemnation or discovery of such title defect and end when use and occupancy or possession is restored or the correction of the title defect. In the event of abatement, the term of the Project Lease may be extended until all amounts due under the Project Lease and the Trust Agreement are fully paid, but in no event later than April 1, 20___. See "CERTAIN RISK FACTORS – Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Project Lease requires the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Property Lease for a period of at least 24 months. [Pursuant to the Project Lease, rental interruption insurance is required to insure only against loss of rental income from the Leased Property caused by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by the City's all risk property insurance on the Leased Property. The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease [and the City does not currently have earthquake or flood insurance on the Leased Property.]] See "– Insurance with Respect to the Leased Property" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates. The City is also required by the Project Lease to use insurance proceeds to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay Certificates such that resulting Rental Payments are sufficient to pay all amounts due under the Project Lease and the Trust Agreement with respect to the Certificates remaining Outstanding. See "– Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Project Lease. See "– Substitution, Release and Addition of Leased Property" below.

No Reserve Account

No Reserve Account will be established for the Certificates. The Trust Agreement allows a Reserve Account to be established for Additional Certificates. See "– Additional Certificates" below and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Trust Agreement – _____." The City has established a Reserve Account for the 2012A Certificates (the "2012A Reserve Account"); however, such 2012A Reserve Account is not available for the payment of Base Rental payments due with respect to the Certificates.

Replacement, Maintenance and Repairs

The Project Lease requires the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Project Lease. The Trust Agreement requires that if the Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Project Lease, provided however that the City's obligation to repair or replace any portion of the Leased Property pursuant to the Project Lease will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of the Leased Property or any portion thereof that would

result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City is not required to repair or replace any such portion of the Leased Property if there is applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all of the Certificates Outstanding and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Rental Payments payable in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest evidenced and represented by all Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement to the extent they are due and payable in such Project Lease Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – PROJECT LEASE."

Insurance with Respect to the Leased Property

The Project Lease requires the City to maintain or cause to be maintained throughout the term of the Project Lease: (i) general liability insurance against damages occasioned by construction of improvements to or operation of the Leased Property with minimum coverage limits of \$5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained; (ii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates, with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; (iii) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than \$5,000,000 per accident; and (iv) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount may be adjusted annually to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) above. All policies of insurance required under the Project Lease may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City is also required under the Project Lease to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates, and to deliver such policy to the Trustee promptly after the execution and delivery of the Certificates.

The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease if the City determines on an annual basis that such insurance is not commercially available in reasonable amounts at reasonable costs [and the City does not currently have earthquake or flood insurance on the Leased Property].

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE, EXCEPT FOR SELF-INSURANCE FOR RENTAL INTERRUPTION INSURANCE AND TITLE INSURANCE. [The City expects to self-insure for general liability insurance only.]

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property or (ii) the Project Lease will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of Certificates. If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the Project Lease will continue in full force and effect as to the remaining portions of the Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken, or to the partial prepayment of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Eminent Domain" and "– PROJECT LEASE – Eminent Domain."

Substitution, Release, and Addition of Leased Property

If no Event of Default has occurred and is continuing under the Project Lease, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Project Lease. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – PROJECT LEASE – Substitution of Leased Property," "– Release of Leased Property" and "– Addition of Leased Property."

Additional Certificates

The Board has authorized Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in an aggregate principal amount of up to \$ _____. In addition, the City may from time to time amend the Trust Agreement and the Project Lease to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Project Lease is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Property.

CERTAIN RISK FACTORS

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

Rental Payments Not a Debt of the City

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

The Certificates represent and are payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Base Rental Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Project Lease, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. — See APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – General Obligation Bonds Authorized but Unissued,” “– Overlapping Debt,” and “– Lease Payments and Other Long-Term Obligations.” See also APPENDIX B: “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

Abatement

The obligation of the City under the Project Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the City’s obligation to make Base Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments.”

In the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, except that such extension will in no event extend beyond April 1, 20__ . Proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property.” and “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Replacement, Maintenance and Repairs” for additional provisions governing damage to the Leased Property.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with any available insurance proceeds, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Project Lease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Project Lease is not an event of default under the Trust Agreement or the Project Lease.

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

Limited Recourse on Default; Re-letting of the Leased Property

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may, subject to applicable laws regarding use of such property, take possession of and re-let the Leased Property for the account of the City. The Leased Property is unique and re-letting might prove to be difficult or impossible. In addition, portions of the Leased Property have been improved with the proceeds of voter-approved general obligation bonds, and it is unclear whether any re-letting would be permitted to result in use of the Leased Property that is inconsistent with the public hospital purposes for which those bonds were approved. Further, certain improvements to the Leased Property were funded by federal fund grants, which might impact the remedy of re-letting. See "SECURITY AND SOURCES OF PAYMENT – Covenant to Budget and Right to Re-let" [and "CERTAIN RISK FACTORS – Recovery of Federal Funds."] The amounts received from any such re-letting may be insufficient to pay the scheduled principal and interest represented by the Certificates when due. In addition, the Trust Agreement provides that no remedies such as re-letting may be exercised so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or subject to State personal income taxes. The enforcement of any remedies provided for in the Project Lease and in the Trust Agreement could prove to be both expensive and time consuming.

The Project Lease provides that any remedies on default will be exercised by the Trustee. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental payments when due, or if the City breaches any other terms, covenants or conditions contained in the Project Lease, the Property Lease or in the Trust Agreement (and does not remedy such breach with all reasonable dispatch within 60 days after notice thereof or, if such breach cannot be remedied within such 60-day period, the City fails to take corrective action within such 60-day period and diligently pursue the same to completion), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then outstanding, shall proceed), without any further notice: (i) to re-enter the Leased Property and eject all parties in possession therefrom and, without terminating the Project Lease, re-let the Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable, or (ii) in lieu of the above, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due by pursuing any remedy available in law or in equity.

Enforcement of Remedies

The enforcement of any remedies provided in the Project Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Project Lease and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in

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

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties in the State. See "CERTAIN RISK FACTORS – Bankruptcy" herein.

No Acceleration on Default

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

Release and Substitution of the Leased Property

The Project Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – PROJECT LEASE – Substitution of Leased Property" and "– Release of Leased Property." Although the Project Lease requires that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the Leased Property being replaced, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates.

Bankruptcy

In addition to the limitations on remedies contained in the Trust Agreement and the Project Lease, the rights and remedies in the Trust Agreement and the Project Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal

remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Project Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Project Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Project Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Project Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Project Lease (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

City Long-Term Financial Challenges

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

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth \$[35.2] billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$[11] billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

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

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last five fiscal years. As of June 30, 2019, the unaudited, estimated balance for such reserves is approximately \$___ million, which is approximately ___% of General Fund revenues, [and is below adopted target levels of 10% of General Fund revenues. However, the City expects that meeting the 10% adopted target level of reserves will not eliminate the need to cut expenditures in a recession to balance the City's budget.]

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

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES” and in APPENDIX B – “COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018.”

Seismic Risks

General. The City is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazards such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance, [and the City does not currently have earthquake or flood insurance on the Leased Property.] There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24,

2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

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

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

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

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

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

SB 1953 Compliance. Senate Bill 1953 (“SB 1953”) is an amendment to the 1973 Hospital Facilities Seismic Safety Act (“HFSSA”) that requires all acute care hospitals in California, including Laguna Honda Hospital, to comply with certain seismic safety standards within a certain time frame. SB 1953 generally requires that by 2020, all hospital buildings must remain standing during a major earthquake so that patients can be evacuated safely, and by 2030, all hospital buildings must remain standing and functioning during a major earthquake. [The City deems the Leased Property compliant with SB 1953.] See “THE LEASED FACILITIES” above.

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

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

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

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

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

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

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

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

Proceeds of bonds issued under Proposition A (2018) are intended to fund the first of three repair and construction phases for the Embarcadero Seawall, which spans the northern shoreline of San Francisco from Fisherman's Wharf to China Basin.

Cybersecurity

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

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

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

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

[Recovery of Federal Funds]

[TBD – describe exceptions (7) and (9) in PTR?] [The construction and renovation of the Leased Property was financed, in part, by federal grant funds awarded by the U.S. Department of Health and Human Services, pursuant to the Public Health Service Act. As a result of such funding, the Leased Property is subject to the recovery provisions of the Public Health Service Act, which provides, in part, that _____.]

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of

the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. SFPUC's adopted fiscal year 2019-28 capital plan includes approximately \$211 million for improvements to Mountain Tunnel to mitigate these vulnerabilities.

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

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

Risk Management and Insurance

The Project Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months' Base Rental payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Project Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Project Lease allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all hazards for which the Project Lease permits self-insurance. *[Confirm.]* See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit.

According to the City Controller, the City may exceed the Gann Limit in fiscal years following fiscal year 2020-21, depending on the timing and outcome of litigation regarding three legally-contested tax measures approved by voters in 2018. Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND

FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances” and “– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution.”

Changes in Law

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

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

State of California Financial Condition

The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City and other counties in the State. See APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances.”

The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, over which the City has no control.

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City’s assets are also invested in securities of the United States government. The City’s finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City’s financial condition may also be impacted by the withholding of federal grants or other funds flowing to “sanctuary jurisdictions.” The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations and the impact that such budgets will have on the City’s finances and operations. See APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances.” See also APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES” and “– INVESTMENT OF CITY FUNDS.”

Other

There may be other risk factors inherent in ownership of the Certificates in addition to those described in this section.

TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP and Curls Bartling P.C., Co-Special Counsel, under existing law: (i) interest evidenced by the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax and (ii) interest evidenced by the Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the Certificates.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Certificates are and will remain obligations the interest evidenced thereby is excluded from gross income for federal income tax purposes. Co-Special Counsel will not independently verify the accuracy of the City's certifications and representations or the continuing compliance with the City's covenants.

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

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest evidenced by the Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates. The City has covenanted to take the actions required of it for the interest evidenced by the Certificates to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Certificates, Co-Special Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Special Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates or the market value of the Certificates.

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

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

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

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

Risk of Future Legislative Changes and/or Court Decisions

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

For example, federal tax legislation that was enacted on December 22, 2017 reduced corporate tax rates, modified individual tax rates, eliminated many deductions, repealed the corporate alternative minimum tax, and eliminated the tax-exempt advance refunding of tax-exempt bonds and tax-advantaged bonds, among other things. Additionally, investors in the Certificates should be aware that future legislative actions might increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest evidenced by the Certificates for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Certificates may be affected and the ability of holders to sell their Certificates in the secondary market may be reduced.

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

Original Issue Discount and Original Issue Premium

Certain of the Certificates ("Discount Certificates") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Certificate. The issue price of a Discount Certificate is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Certificate over the period to maturity based on the constant yield method, compounded semiannually (or over

a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Certificate (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest evidenced by the Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Certificate. A purchaser of a Discount Certificate in the initial public offering at the issue price (described above) for that Discount Certificate who holds that Discount Certificate to maturity will realize no gain or loss upon the retirement of that Discount Certificate.

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

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

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the separate legal opinions of Squire Patton Boggs (US) LLP, San Francisco, California and Curis Bartling, P.C., Oakland, California, Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to its date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible Commission and 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 Certificates, 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 the 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 Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, 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.

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

PROFESSIONALS INVOLVED IN THE OFFERING

KNN Public Finance, Inc., LLC and Ross Financial have served as Co-Municipal Advisors to the City with respect to the sale of the Certificates. 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 Certificates. 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-Special Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates 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 2018-19, which is due not later than March 26, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board. 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 initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events.

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

ABSENCE OF LITIGATION

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

VALIDATION ACTION

No validation action has been pursued or is expected to be pursued with respect to the validity of the [Fourth] Supplement to Project Lease, the [Fourth] Supplement to Property Lease, or the [Fourth] Supplement to Trust Agreement.

The City filed a complaint on September 15, 2008, pursuant to State Code of Civil Procedure Sections 860 through 870.5 in the Superior Court for the State in and for the City to validate the Original Project Lease, the Original Property Lease, the Original Trust Agreement and certain other matters. On January 15, 2009, a judgment was rendered finding the Original Project Lease, the Original Property Lease and the Original Trust Agreement to be valid, legal and binding obligations of the City in accordance with their terms and in conformity with all applicable provisions of law, including Article XVI, Section 18 of the State Constitution.

State Code of Civil Procedure Section 870(a) provides that such a judgment, if no appeal is taken, or if taken and the judgment affirmed, shall thereupon become and thereafter be forever binding and conclusive, as to all matters therein adjudicated or which could have been adjudicated against the City and against all other persons. State Code of Civil Procedure Section 870(b) provides that no appeal shall be allowed from such a judgment unless a notice of appeal is filed within 30 days after the entry of judgment. No notice of appeal was filed.

RATINGS

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

SALE OF THE CERTIFICATES

The Certificates are scheduled to be sold at competitive bid on _____, 2020, as provided in the Official Notice of Sale, dated _____, 2020 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Certificates 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-Special Counsel and certain other conditions. The Purchaser will represent to the City that

the Certificates 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 purchasers or Owners and beneficial owners of any of the Certificates.

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, 2018

[to be attached]

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following summary discussion of selected features of the Trust Agreement, the Property Lease and the Project Lease, all dated as of _____ 1, 2020, are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682.

[To come from Co-Special Counsel.]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2020 _____
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)

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 delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of May 1, 2009 (the "Original Trust Agreement"), as previously supplemented and amended and as supplemented and amended by the [Fourth] Supplement to Trust Agreement, dated as of _____ 1, 2020 (as supplemented and amended, the "Trust Agreement"), between the City and U.S. Bank National Association, as trustee (the "Trustee"). Pursuant to Section 8.10 of the Original Trust Agreement and Section 4.8 of that certain Project Lease, dated as of May 1, 2009, as previously supplemented and amended and as supplemented and amended by the [Fourth] Supplement to Project Lease, dated as of _____ 1, 2020 (as supplemented and amended, the "Project Lease"), by and between the Trustee and the City, 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 Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

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

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

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

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

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

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

"MSRB" will 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" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will 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 2018-19 Fiscal Year (which is due not later than March 26, 2020), 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 will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

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

(c) The Dissemination Agent will (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 will 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 summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund 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 will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

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

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to the rights of Certificate holders, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

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

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If

such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

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

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

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates 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 delivery of the Certificates, 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 Certificates 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 will describe such amendment in the next Annual Report, and will 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 will 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 will 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 will 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 Certificates 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 will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will 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 Certificates, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: _____

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

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

Name of City: CITY AND COUNTY OF SAN FRANCISCO
Name of Issue: CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 2020
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
Date of Delivery: _____, 2020

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

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

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 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, 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 Certificates, "Issuer" means the City, and "Agent" means the Trustee.

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

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

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

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

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

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

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

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

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

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

APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

[To come]

APPENDIX G

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

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of August 1, 2019.

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

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

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CITY GOVERNMENT

City Charter

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

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

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

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

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“Port”) in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission (“PUC”) (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency (“MTA”) (which operates the San Francisco Municipal Railway or “Muni” and the Department of Parking and Traffic (“DPT”), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the “enterprise fund departments,” as they are not integrated into the City’s General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive annually significant General Fund transfers.

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

Mayor

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

Board of Supervisors

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

TABLE A-1

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CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

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

³Contest appears on the ballot because there was a vacancy, which was filled by appointment until voters elect someone to serve the remainder of the current term.

Other Elected and Appointed City Officers

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

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

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

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new 10-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year

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capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director during that period, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

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

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately \$12.3 billion, of

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which the City's General Fund accounts for approximately \$6.1 billion. In fiscal year 2020-21 appropriated revenues, fund balance, transfers and reserves total approximately \$12.0 billion, of which \$6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016-17 and 2017-18 and the Original Budgets for fiscal years 2018-19, 2019-20, and 2020-21. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 and 2020-21 adopted budgets, see "City Budget Adopted for Fiscal Years 2019-20 and 2020-21" herein.

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TABLE A-2

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

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Original Budget ⁵	2019-20 Original Budget ⁶	2020-21 Original Budget ⁶
Prior-Year Budgetary Fund Balance & Reserves	\$1,526,830	\$1,999,334	\$250,121	\$299,880	\$285,152
Budgeted Revenues					
Property Taxes ¹	\$1,412,000	\$1,557,000	\$1,728,000	\$1,956,008	\$1,852,000
Business Taxes	669,450	750,820	879,380	1,050,620	1,095,900
Other Local Taxes ²	1,126,245	1,112,570	1,053,390	1,144,376	1,118,372
Licenses, Permits and Franchises	28,876	29,964	30,833	30,431	31,154
Fines, Forfeitures and Penalties	4,671	4,579	3,125	3,125	3,127
Interest and Investment Earnings	13,971	18,615	27,270	76,590	86,590
Rents and Concessions	15,855	14,089	14,769	15,141	15,371
Grants and Subventions	978,252	965,549	1,051,643	1,088,615	1,084,379
Charges for Services	235,491	242,842	261,294	245,222	246,654
Other	58,776	40,130	41,050	69,424	42,065
Total Budgeted Revenues	\$4,543,587	\$4,736,158	\$5,090,754	\$5,679,551	\$5,575,612
Bond Proceeds & Repayment of Loans	\$881	\$110	\$87	-	-
Expenditure Appropriations					
Public Protection	\$1,266,148	\$1,316,870	\$1,403,620	\$1,493,084	\$1,539,026
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
Culture and Recreation	139,473	142,081	165,784	173,969	179,282
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
General City Responsibilities ³	134,153	114,219	183,159	193,971	213,545
Total Expenditure Appropriations	\$3,700,689	\$3,951,771	\$4,325,611	\$4,800,929	\$4,735,089
Budgetary reserves and designations, net	\$9,868	\$0	\$21,411	29,880	\$20,451
Transfers In	\$246,779	\$232,032	\$170,671	163,455	152,960
Transfers Out ⁴	(857,528)	(1,009,967)	(1,164,612)	(1,312,077)	(1,258,185)
Net Transfers In/Out	(\$610,749)	(\$777,935)	(\$993,941)	(\$1,148,622)	(\$1,105,225)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	\$1,749,993	\$2,005,897	-	-	-
Variance of Actual vs. Budget	249,475	336,422	-	-	-
Total Actual Budgetary Fund Balance	\$1,999,468	\$2,342,319	-	-	-

¹ The City budgeted \$185.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2019-20. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.

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

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

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

⁵ FY 2018-19 Final Revised Budget will be available upon release of the FY 2018-19 CAFR.

⁶ FY 2019-20 & FY 2020-21 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

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Budget Process

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

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

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

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

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

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Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.
2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 4, 2019, for fiscal year 2019-20 through fiscal year 2023-24. See "Five Year Financial Plan" section below.
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies include:
 - Non-Recurring Revenue Policy - This policy limits the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in extensive detail below. [Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain unpredictable revenues. These and other reserves are discussed in detail under Rainy Day Reserve and Budget Stabilization Reserve below.]
4. The City is required to submit labor agreements for all public employee unions by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget.

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Role of Controller in Budgetary Analysis and Projections

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

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2018-19 Nine Month Report (the "Nine Month Report"), on May 15, 2019. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 11, 2019 the Controller released the Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference. The six-month budget status report for fiscal year 2019-20 is expected to be published in February 2020.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2017-18 was issued on March 25, 2019. The fiscal year 2017-18 CAFR reported that as of June 30, 2018, the General Fund fund balance available for appropriation in subsequent years was \$616.6 million (see Table A-4), which represents a \$70.7 million increase in available fund balance from the \$545.9 million available as of June 30, 2017. This resulted primarily from greater-than-budgeted property and business tax revenue and surpluses at the Department of Public Health, which was partially offset by under-performance in sales and transfer tax revenues in fiscal year 2017-18. Of the \$616.6 million General Fund balance, \$188.6 million was assumed in the fiscal year 2018-19 Original Budget and \$223.3 million was assumed in the fiscal year 2019-20 Original Budget.

The audited General Fund fund balance as of June 30, 2018 was \$2.2 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of \$5.0 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund fund balances are shown in Table A-3

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on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2014 through June 30, 2018.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2013-14 through 2017-18¹
(000s)

	2013-14	2014-15	2015-16	2016-17	2017-18
Restricted for rainy day (Economic Stabilization account) ²	\$60,289	\$71,904	\$74,986	\$78,336	\$89,309
Restricted for rainy day (One-time Spending account) ²	22,905	43,065	45,120	47,353	54,668
Committed for budget stabilization (citywide) ³	132,264	132,264	178,434	323,204	369,958
Committed for Recreation & Parks savings reserve ⁴	12,862	10,551	8,736	4,403	1,740
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$92,269	\$137,641	\$190,965	\$244,158	\$345,596
Assigned for appropriation carryforward	159,345	201,192	293,921	434,223	423,835
Assigned for budget savings Incentive program (Citywide) ⁴	32,088	33,939	58,907	67,450	73,650
Assigned for salaries and benefits ⁵	10,040	20,155	18,203	23,051	23,931
Total Fund Balance Not Available for Appropriation	\$522,062	\$650,711	\$869,272	\$1,222,178	\$1,382,687
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies ⁵	\$79,223	\$131,970	\$145,443	\$136,080	\$235,925
Assigned for subsequent year's budget	135,938	180,179	172,128	183,326	188,562
Unassigned for General Reserve ⁶	45,748	62,579	76,913	95,156	106,878
Unassigned - Budgeted for use second budget year	137,075	194,082	191,202	288,185	223,251
Unassigned - Contingency for second budget year	-	-	60,000	60,000	160,000
Unassigned - Available for future appropriation	21,656	16,569	11,872	14,409	44,779
Total Fund Balance Available for Appropriation	\$419,640	\$585,379	\$657,558	\$777,156	\$959,395
Total Fund Balance, Budget Basis	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$941,702	\$1,236,090	\$1,526,830	\$1,999,334	\$2,342,082
Unrealized gain or loss on investments	935	1,141	343	(1,197)	(20,602)
Nonspendable fund balance	24,022	24,786	522	525	1,512
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(37,303)	(36,008)	(38,469)	(25,495)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(66,415)	(50,406)	(56,709)	(83,757)	(68,958)
Deferred Amounts on Loan Receivables	(21,670)	(23,212)	-	-	-
Pre-paid lease revenue	(5,709)	(5,900)	(5,816)	(5,733)	(6,598)
Total Fund Balance, GAAP Basis	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941

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

¹ Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.

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

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

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

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

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

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

Rainy Day Reserve

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

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

Fiscal year 2017-18 revenue exceeded the deposit threshold by \$29.3 million, generating a deposit of \$11.0 million to the City Reserve and \$7.3 million to the Rainy Day One-Time Reserve. The FY 2017-18 ending balances are \$89.3 million and \$54.7 million, respectively, as shown in Table A-3. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide a budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives

The Charter stipulates that the City is eligible to withdraw from the Rainy Day Reserves only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves.

Budget Stabilization Reserve

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

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Fiscal year 2017-18 ending general fund unassigned fund balance was \$91.6 million, triggering a \$68.7 million deposit to the Budget Stabilization Reserve. However, \$22.0 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a \$46.8 million deposit to the Budget Stabilization Reserve and a fiscal year 2017-18 ending balance of \$370.0 million, as shown in Table A-3. Under Board-adopted reserve policies, the City may withdraw from the Reserve only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, or \$597.4 million given projected fiscal year 2018-19 revenues. Under the City's current policy, once this threshold is reached, amounts are deposited into a non-recurring expenditure reserve ("Budget Stabilization One-Time Reserve") that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Given current estimates for FY 2018-19, the City will deposit \$20.8 million into the non-recurring expenditure reserve. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve is \$106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, \$20.4 was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of \$128.3 million.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the a Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2017-18, the Recreation and Parks Savings Reserve had a balance of \$1.7 million and the Citywide Budget Savings Incentive Reserve had a balance of \$73.7 million.

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Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of \$23.9 million as of FY 2017-18), and the Litigation and Public Health Management Reserve (balance of \$235.9 million in FY 2017-18).

Operating Cash Reserve

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

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

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
 Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
 Fiscal Years 2013-14 through 2017-18²
 (000s)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues:					
Property Taxes	\$1,178,277	\$1,272,623	\$1,393,574	\$1,478,671	\$1,673,950
Business Taxes	562,896	609,614	659,086	700,536	897,076
Other Local Taxes	922,205	1,085,381	1,054,109	1,203,587	1,093,769
Licenses, Permits and Franchises	26,975	27,789	27,909	29,336	28,803
Fines, Forfeitures and Penalties	5,281	6,369	8,985	2,734	7,966
Interest and Investment Income	7,866	7,867	9,613	14,439	16,245
Rents and Concessions	25,501	24,339	46,553	15,352	14,533
Intergovernmental	827,750	854,464	900,820	932,576	983,809
Charges for Services	180,850	215,036	233,976	220,877	248,926
Other	9,760	9,162	22,291	38,679	24,478
Total Revenues	\$3,747,361	\$4,112,644	\$4,356,916	\$4,636,787	\$4,989,555
Expenditures:					
Public Protection	\$1,096,839	\$1,148,405	\$1,204,666	\$1,257,948	\$1,312,582
Public Works, Transportation & Commerce	78,249	87,452	136,762	166,285	223,830
Human Welfare and Neighborhood Development	720,787	786,362	853,924	956,478	999,048
Community Health	668,701	650,741	666,138	600,067	706,322
Culture and Recreation	113,019	119,278	124,515	139,368	142,215
General Administration & Finance	190,335	208,695	223,844	238,064	244,773
General City Responsibilities	86,968	98,620	114,663	121,444	110,812
Total Expenditures	\$2,954,898	\$3,099,553	\$3,324,512	\$3,479,654	\$3,739,582
Excess of Revenues over Expenditures	\$792,463	\$1,013,091	\$1,032,404	\$1,157,133	\$1,249,973
Other Financing Sources (Uses):					
Transfers In	\$216,449	\$164,712	\$209,494	\$140,272	\$112,228
Transfers Out	(720,806)	(873,741)	(962,343)	(857,629)	(1,010,785)
Other Financing Sources	6,585	5,572	4,411	1,765	-
Other Financing Uses	-	-	-	-	(178)
Total Other Financing Sources (Uses)	(\$497,772)	(\$703,457)	(\$748,438)	(\$715,592)	(\$898,735)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$294,691	\$309,634	\$283,966	\$441,541	\$351,238
Total Fund Balance at Beginning of Year	\$540,871	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703
Total Fund Balance at End of Year – GAAP Basis	\$835,562	\$1,145,196	\$1,429,162	\$1,870,703	\$2,221,941
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
– GAAP Basis	\$178,066	\$234,273	\$249,238	\$273,827	\$286,143
– Budget Basis	\$294,669	\$390,830	\$435,202	\$545,920	\$616,592

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

² Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.
 Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

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Five-Year Financial Plan

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

On March 19, 2019, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan update for fiscal years 2019-20 through 2023-24, which projected cumulative annual shortfalls of \$30.6 million, \$125.5 million, \$354.5 million, \$533.9 million, and \$694.5 million for fiscal years 2019-20 through 2023-24, respectively.

The Plan projects growth in General Fund revenues over the forecast period of 14%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 27% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City projects growth in General Fund sources of \$769.4 million over the Plan period, and expenditure growth of \$1.46 billion. The composition of the projected shortfall is shown in Table A-5 below:

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO						
Five Year Financial Plan Update						
Fiscal Years 2019-20 through 2023-24						
(000s)						
	2019-20 ¹	2020-21 ¹	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	\$274.6	\$525.0	\$562.8	\$651.6	\$769.4	
Uses:						
Baselines & Reserves	(\$65.1)	(\$103.4)	(\$139.7)	(\$184.5)	(\$245.6)	16.8%
Salaries & Benefits	(180.3)	(324.0)	(438.6)	(539.6)	(630.2)	43.1%
Citywide Operating Budget Costs	(64.0)	(193.0)	(251.7)	(334.8)	(416.4)	28.4%
Departmental Costs	4.2	(30.0)	(87.4)	(126.6)	(171.5)	11.7%
Total Uses - (Increase) / Decrease:	(\$305.2)	(\$650.5)	(\$917.3)	(\$1,185.4)	(\$1,463.8)	100.0%
Projected Cumulative Surplus / (Shortfall):	(\$30.6)	(\$125.5)	(\$354.5)	(\$533.9)	(\$694.5)	

¹ On August 1, 2019 the City adopted the budget for FY2019-20 and FY2020-21, as shown in Table A-2, with no projected shortfall in these years.

These figures incorporate the following key assumptions:

- **Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS' January 31, 2019 year-to-date return of 1%, projected employer contribution rates assume a 1% rate of return on SFERS investments in FY 2018-19, which will affect contribution rates beginning in FY 2020-21. The plan update continues to reflect the November 2018 decision of the San Francisco Retirement Board to lower the discount rate from 7.5% to 7.4%. The Plan does not assume any changes to existing funding policy and amortizes the 2018 supplemental COLA over five years per current policy.

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- **Continued Increases in Wages and Health Care Costs:** The Plan assumes inflationary increases, based on the consumer price index, for most miscellaneous employees of 2.97% in fiscal year 2019-20, 2.79% in fiscal year 2020-21, 2.94% in fiscal year 2021-22, 3.02% in fiscal year 2022-23, and 3.00% in fiscal year 2023-24, as projected by the California Department of Finance and Moody's. For police officers and firefighters, the Plan assumes the cost of all negotiated terms, including wage rate increases of 3% in fiscal years 2019-20 and 2020-21, and increases of CPI, as above, thereafter.
- **Voter Adopted Revenue and Spending Requirements:** This Plan reflects the outcome of several local measures from 2018 elections, including voter adoption of a gross receipts tax on cannabis (November Proposition D) and the dedication of a portion of hotel tax revenue to arts and cultural organizations (November Proposition E). The Plan does not assume changes related to voter-approved measures to create dedicated gross receipts taxes on the lease of commercial space to support child care and education (June Proposition C) or additional gross receipts and payroll taxes on certain large businesses dedicated to housing and homeless services (November Proposition C). With the exception of a portion of proceeds from the June 2018 measure, from which 15% is allocated to the General Fund, revenue from these two measures is dedicated to specific purposes and subject to legal risk, as discussed below. Given current legal risks, revenue from these measures will be collected but will not be made available for appropriation.
- **Property Tax Shifts:** On November 29, 2018, the Controller's Office issued a memo notifying policymakers of a material update to current year revenue projections due to the reallocation of property tax revenue in the County's Educational Revenue Augmentation Fund (ERAF). The Controller estimates the City will recognize approximately \$415.0 million in excess ERAF property tax revenue in fiscal year 2018-19, of which \$208.0 million is attributable to fiscal year 2017-18 and \$207.0 million to fiscal year 2018-19. Under Charter provisions adopted by the voters, approximately \$78.0 million must be allocated to various baselines and approximately \$156.0 million to Rainy Day Reserves, leaving approximately \$181.0 million available for any purpose.
- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans and is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 enacted State budget, significant costs for this program were shifted from the state to counties. Cost increases are projected to grow from \$56.0 million in fiscal year 2019-20 to \$111.5 million in fiscal year 2023-24, due to the combined effects of a locally-approved minimum wage increase as well as the State's schedule of increasing cost shifts.

Beyond the IHSS Cost Shift, the Plan does not assume significant changes in funding at the state or federal levels, although at the time of plan publication, the Governor's January budget proposal included meaningful savings relative to current projections. See "Budgetary Risks" below.

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

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

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

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

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

Other Budget Updates

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

BUDGETARY RISKS

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

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

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

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

On August 28, 2017, the California Supreme Court in *California Cannabis Coalition v. City of Upland* (August 28, 2017, No. S234148) interpreted Article XIII C, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for

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election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C") for homelessness prevention and services. The estimated annual values of June Propositions C and G are approximately \$146 million and \$50 million, respectively. The estimated annual value of November Proposition C is approximately \$250 million to \$300 million.

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

Impact of the State of California Budget on Local Finances

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

On June 27, 2018, the Governor signed the Fiscal Year 2019-20 State Budget (the "2019-20 State Budget"), appropriating \$214.8 billion from the State's General Fund and other State funds. In the 2019-20 State Budget, General Fund appropriations total \$147.8 billion. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full implementation of the Local Control Funding Formula and increases funding to community colleges and the university systems. The Governor's Budget includes allocations of \$650 million to counties to address homelessness, of which San Francisco is expected to receive approximately \$35 million, as assumed in the City's budget.

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The final 2018-19 State Budget continues to re-base the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The state budget modifies the cost-sharing structure for In-Home Supportive Services (IHSS), which will reduce costs for San Francisco compared to the significant increase borne by the City due to the original 2017-18 MOE. The City's budget assumes an increase of General Fund cost in fiscal year 2019-20 of \$25.7 million compared to fiscal year 2018-19 or a total cost of \$143.6 million and an additional \$12.8 million or a total cost of \$156.4 million in fiscal year 2020-21 to support the IHSS program, partially offset by health and welfare realignment subventions. These costs include funding to support increases in minimum hourly pay for IHSS workers due to recent changes in the City's Minimum Compensation Ordinance.

Impact of Federal Government on Local Finances

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

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

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

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

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

GENERAL FUND REVENUES

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

PROPERTY TAXATION

Property Taxation System – General

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

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

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assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (SFCE); SFCCD, Bay Area Air Quality Management District ("BAAQMD"); and the Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-31: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

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

The percent collected of property tax (current year levies excluding supplemental) was 99.26% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 86 for fiscal year 2018-19 compared to 111 for fiscal year 2017-18. The number of trustee deeds recorded in fiscal years 2016-17, 2015-16, 2014-15, 2013-14, 2012-13 and 2011-12 were 92, 212, 102, 187, 363, and 804 respectively.

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TABLE A-6

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

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

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

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

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

⁴ Based on initial assessed valuations for fiscal year 2019-20.

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

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

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

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

Under Article XIII A of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple

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years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

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

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2017-18 are listed in Table A-7 below.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2017-18
(000s)

Fiscal Year	Amount Refunded
2013-14	\$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401

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

As of July 1, 2019 the Assessor granted 2,546 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of \$244.01 million (using the 2018-19 tax rate of 1.163% this equates to a reduction of approximately \$2.84 million in general fund taxes), compared to July 1, 2018, when the Assessor granted 4,719 temporary reductions in property assessed values worth a total of \$278.16 million (equating to a reduction of approximately \$3.25 million in general fund taxes). Of the 2,546 total reductions, 569 temporary reductions were granted for residential or commercial properties. The remaining 1,977 reductions were for timeshares. The July 2019 temporary reductions of \$244.01 million represents 0.09% of the fiscal year 2019-20 Net Assessed Valuation of \$281.07 billion shown in Table A-6. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

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As of June 30, 2019, the total number of open appeals before the AAB was 740, compared to 1,001 open AAB appeals as of June 30, 2018. As of June 30, 2019, there were 1,253 new applications filed during fiscal year 2018-19, compared to 1,636 new applications filed during the same period (June 30, 2018) of fiscal year 2017-18. Also, the difference between the current assessed value and the taxpayer's opinion of values for all the open appeals is \$14.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about \$174.1 million would result. The General Fund's portion of that potential \$158.3 million would be approximately \$83.2 million.

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

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District and BART. The total tax levy for all taxing entities in fiscal year 2017-18 was \$2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City had budgeted to receive \$1.6 billion into the General Fund and \$201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive about \$176.3 million and \$33.1 million, respectively, and the local ERAF was estimated to receive \$580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received \$153 million. The remaining portion was allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose.

General Fund property tax revenues in fiscal year 2017-18 were \$1.67 billion, representing an increase of \$195.3 million (13.2%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at \$1.73 billion for fiscal year 2018-19 representing an increase of \$54.1 million (3.2%) over fiscal year 2017-18 actual. Fiscal year 2019-20 property tax revenue is budgeted at \$1.96 billion, \$230 million (or 13.3%) more than the fiscal year 2018-19 budget. About 80% of the large variance from fiscal 2018-19 is due to an additional year of excess Educational Revenue Augmentation Fund (ERAF) local property tax revenue anticipated to be shifted back to the General Fund from the county's ERAF over the course of the fiscal year. The fiscal year 2019-20 excess ERAF amount to benefit the General Fund is budgeted at \$185.0 million. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues for fiscal years 2012-13 through 2016-17, and budgeted receipts for fiscal years 2017-18, 2018-19, and fiscal year 2019-20.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift

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

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

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

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

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

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TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2017-18
(000s)

Year Ended	Amount Funded
2013-14	\$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2018 are shown in Table A-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

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

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

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

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

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

³ Nonprofit organization that is exempt from property taxes.

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

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Taxation of State-Assessed Utility Property

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

OTHER CITY TAX REVENUES

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

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

Business Taxes

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

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

Business tax revenue in fiscal year 2018-19 is projected to be \$1,003.3 million (all funds), representing an increase of \$104.1 million (12%) from fiscal year 2017-18. Business tax revenue is budgeted at \$1,072.7 million in fiscal year 2019-20 representing an increase of \$69.4 million (6.9%) over fiscal year 2018-19

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projected revenue. Business tax revenue is budgeted at \$1,098.0 million in fiscal year 2020-21 representing an increase of \$25.3 million (2.4%) over fiscal year 2019-20 budget. The vast majority of the City's business tax is deposited in the General Fund; approximately \$2 million is allocated to the Neighborhood Beautification Fund. As noted above, these figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018. See "Five Year Financial Plan" section.

TABLE A-10

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

Fiscal Year ¹	Revenue	Change	
2015-16	\$660,926	\$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19 <i>projected</i> ²	1,003,280	104,138	11.6%
2019-20 <i>budgeted</i> ³	1,072,720	69,440	6.9%
2020-21 <i>budgeted</i> ³	1,098,000	25,280	2.4%

¹ Figures for fiscal years 2015-16 through 2017-18 are audited actuals.

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

² Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

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

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double-digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR growth has fully recovered in FY 2018-19. Projected hotel tax revenue in fiscal year 2018-19 is projected to be \$408.7 million, an increase of \$21.7 million (5.6%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be \$427.1 million, representing growth of \$18.4 million (4.5%). In fiscal year 2020-21, hotel tax revenue is budgeted to be \$435.6 million, an increase of \$8.5 million (2.0%) from fiscal year 2019-20 budget. Budgeted hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel

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tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately \$3 to 5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately \$16 to \$34 million of hotel tax is allocated for arts and cultural programs.

TABLE A-11

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

Fiscal Year ¹	Tax Rate	Revenue	Change
2015-16	14.0%	\$392,686	(\$6,678) -1.7%
2016-17	14.0%	375,289	(17,397) -4.4%
2017-18	14.0%	387,006	11,716 3.1%
2018-19 projected ²	14.0%	408,680	21,674 5.6%
2019-20 budgeted ³	14.0%	427,080	18,400 4.5%
2020-21 budgeted ³	14.0%	435,622	8,542 2.0%

¹ Figures for fiscal year 2015-16 through fiscal year 2017-18 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

² Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

³ Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which takes effect January 1, 2019.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$20.00 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; and \$25 per \$1,000 for properties valued at more than \$10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended; raising the rate to \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$27.50 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million; and \$30.00 per \$1,000 for properties valued at more than \$25.0 million.

Projected real property transfer tax ("RPTT") revenue for fiscal year 2018-19 is \$338.7 million, a \$58.3 million (20.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted

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to be \$296.1 million, \$42.6 million (12.6%) less than projected fiscal year 2018-19 and fiscal year 2020-21, RPTT revenue is budgeted to be \$253.4 million, \$42.6 million (14.4%) less than projected fiscal year 2019-20. The declines are due to the assumption that RPTT collections will return to their historic average by FY 2020-21. The entirety of RPTT revenue goes to the General Fund.

TABLE A-12

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

Fiscal Year ¹	Revenue	Change	
2015-16	\$269,090	(\$45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19 <i>projected</i> ²	338,680	58,264	20.8%
2019-20 <i>budgeted</i> ³	296,053	(42,627)	-12.6%
2020-21 <i>budgeted</i> ³	253,420	(42,633)	-14.4%

¹ Figures for fiscal year 2015-16 through 2017-18 are audited actuals.

² Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

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

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

Sales and Use Tax

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

The component of San Francisco's 8.5% sales tax rate is shown in table A-12 below. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

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TABLE A-12

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

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

Projected local sales tax (the 1% portion) for fiscal year 2018-19 is \$204.3 million, \$11.3 million (5.9%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be \$204.1 million, a decrease of \$0.2 million (0.1%) from projected fiscal year 2018-19. Fiscal year 2020-21 revenue is budgeted to be \$206.0 million, an increase of \$1.9 million (1.0%) from fiscal year 2019-20 budget. [The entirety of sales tax revenue is deposited in the General Fund.]

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

Table A-13 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21. The fiscal year 2015-16 figure include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

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TABLE A-13

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

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2015-16	8.75%	0.75%	\$167,915	\$27,769	19.8%
2015-16 adj. ²	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19 <i>projected</i> ³	8.50%	1.00%	204,280	11,334	5.9%
2019-20 <i>budgeted</i> ⁴	8.50%	1.00%	204,085	(195)	-0.1%
2020-21 <i>budgeted</i> ⁴	8.50%	1.00%	206,028	1,943	1.0%

¹ Figures for fiscal year 2015-16 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

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

³ Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

⁴ Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

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

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- Stadium Admission Tax – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any event, with some specific exclusions.
- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).
- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-14 reflects the City's actual tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO						
Other Local Taxes						
Fiscal Years 2015-16 through 2020-21						
All Funds						
(000s)						
Tax	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actuals	Actuals	Actuals	Projected	Budget	Budget
Utility Users Tax	\$98,651	\$101,203	\$94,460	\$97,553	\$98,710	\$99,890
Access Line Tax	43,617	46,530	51,255	47,500	48,910	50,280
Parking Tax	86,012	84,278	83,484	83,161	83,000	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,000	16,000	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,200	5,500	5,500
Cannabis Tax	N/A	N/A	N/A	1,500	3,000	7,250
Franchise Tax	16,823	17,130	16,869	17,480	17,650	17,830

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

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INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

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

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

Table A-15 reflects the City's actual receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

Table A-15

CITY AND COUNTY OF SAN FRANCISCO						
Selected State Subventions - All Funds						
Fiscal Years 2015-16 through 2020-21						
(000s)						
Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Projected ¹	2019-20 Budget ²	2020-21 Budget ²
Health and Welfare Realignment						
General Fund	\$176.3	\$192.1	\$197.9	\$219.2	\$221.0	\$224.8
Hospital Fund	52.2	66.1	57.3	58.4	59.1	59.1
Total - Health and Welfare	\$228.5	\$258.2	\$255.2	\$277.5	\$280.1	\$283.9
Public Safety Realignment (General Fund)	\$39.8	\$35.5	\$37.4	\$40.0	\$42.1	\$42.8
Public Safety Sales Tax (Prop 172) (General Fund)	\$97.0	\$100.4	\$104.8	\$106.2	\$104.6	\$106.9

Notes

¹ Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

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

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

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-16 below:

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO					
Expenditures by Major Service Area					
Fiscal Years 2016-17 through 2020-21					
(000s)					
Major Service Areas	2016-17	2017-18	2018-19	2019-20	2020-21
	Final Budget	Final Budget	Original Budget	Original Budget	Original Budget
Public Protection	\$1,266,148	\$1,316,870	\$1,403,620	\$1,493,084	\$1,539,026
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
Culture & Recreation	139,473	142,081	165,784	173,969	179,282
General City Responsibilities	134,153	114,219	183,159	193,971	213,545
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Total*	\$3,700,689	\$3,951,771	\$4,325,611	\$4,800,929	\$4,735,089

*Total may not add due to rounding

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

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

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-17 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 and fiscal year 2020-21 budget was finally adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
 Baselines & Set-Asides
 Fiscal Year 2019-20 and 2020-21
 (000s)

	2019-20 Original Budget	2020-21 Original Budget
<i>Projected General Fund Aggregate Discretionary Revenue (ADR)</i>	<i>\$4,205.3</i>	<i>\$4,135.3</i>
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	\$281.2	\$276.5
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	103.7
MTA - Population Adjustment	56.3	60.6
MTA - 80% Parking Tax In-Lieu	66.4	66.4
Subtotal - MTA	\$509.3	\$507.1
Library Preservation Fund		
Library - Baseline: 2.286% ADR	\$96.1	\$94.5
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	65.3	68.3
Subtotal - Library	\$161.4	\$162.9
Children's Services		
<i>Children's Services Baseline - Requirement: 4.830% ADR</i>	<i>\$203.1</i>	<i>\$199.7</i>
Children's Services Baseline - Eligible Items Budgeted	223.2	201.6
<i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i>	<i>24.4</i>	<i>24.0</i>
Transitional Aged Youth Baseline - Eligible Items Budgeted	28.9	29.2
Public Education Services Baseline: 0.290% ADR	12.2	12.0
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	104.5	109.3
<i>Public Education Enrichment Fund: 3.057% ADR</i>	<i>128.6</i>	<i>126.4</i>
1/3 Annual Contribution to Preschool for All	42.9	42.1
2/3 Annual Contribution to SF Unified School District	85.7	84.3
Subtotal - Children's Services	\$497.3	\$478.6
Recreation and Parks		
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	\$65.3	\$68.3
<i>Recreation & Parks Baseline - Requirement</i>	<i>76.2</i>	<i>79.2</i>
Recreation & Parks Baseline - Budgeted	82.0	83.2
Subtotal - Recreation and Parks	\$147.3	\$151.6
Other		
<i>Housing Trust Fund Requirement</i>	<i>\$36.8</i>	<i>\$39.6</i>
Housing Trust Fund Budget	57.1	39.6
Dignity Fund	50.1	53.1
Street Tree Maintenance Fund: 0.5154% ADR	21.7	21.3
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	3.5	3.6
City Services Auditor: 0.2% of Citywide Budget	20.1	19.6
Subtotal - Other	\$152.4	\$137.3
Total	\$1,467.6	\$1,437.4

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EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$5.6 billion in the fiscal year 2019-20 Original Budget (all-funds), and \$5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was \$2.6 billion in the fiscal year 2018-19 Original Budget and \$2.8 billion in the fiscal year 2019-20 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SF Unified School District ("SFUSD"), SF Community College District ("SFCCD") and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2019-20 and 2020-21 includes 37,907 and 38,122 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

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

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

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

In May 2019, the City negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with 27 labor unions. This includes the largest unions in the City such as Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), Laborers Internationals, Local 261, Consolidated Crafts Coalition, and Municipal Executive Association ("MEA"). For the fiscal year 2019-20, the parties agreed to wage increases of 3% on July 1, 2019 and 1% on December 28, 2019. For fiscal year 2020-21, the parties agreed to a wage increase schedule of 3% on July 1, 2020 and 1% on December 26, 2020, with a provision to delay the fiscal year 2020-21 adjustment by six months if the City's deficit for fiscal year 2020-21, as projected in the March 2020 Update to the Five-Year Financial Plan, exceeds \$200 million. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision

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to delay the fiscal year 2021-22 adjustment by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds \$200 million.

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

In addition to the wage pattern, the City and the unions worked together to achieve important operational changes that will lead to more efficient, compliant, and fair workplaces across City departments. This includes updating the provisions for deductions of Union dues after the Janus decision, standardizing provisions for grievance procedure to encourage resolution of disputes at the lowest step, and formation of joint City-Union committees to promote diversity and fairness in City's employment.

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TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of August 1, 2019

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	504	30-Jun-22
Bricklayers, Local 3	10	30-Jun-22
Building Inspectors' Association	90	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	45	30-Jun-22
Deputy Probation Officers' Association (DPOA)	142	30-Jun-22
Deputy Sheriffs' Association (DSA)	824	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	984	30-Jun-22
Firefighters' Association, Local 798 Unit 1	1,834	30-Jun-21
Firefighters' Association, Local 798 Unit 2	63	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 166	8	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Institutional Police Officers' Association	1	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,150	30-Jun-22
Law Librarian and Asst Librarian	2	-
Municipal Attorneys' Association (MAA)	477	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,438	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	65	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	134	30-Jun-22
Pile Drivers, Local 34	37	30-Jun-22
Plumbers, Local 38	352	30-Jun-22
Police Officers' Association (POA)	2,747	30-Jun-21
Professional and Technical Engineers, Local 21	6,436	30-Jun-22
Roofers, Local 40	13	30-Jun-22
SEIU, Local 1021 H-1s	1	30-Jun-20
SEIU, Local 1021 Misc	12,711	30-Jun-22
SEIU, Local 1021 Nurses	1,733	30-Jun-22
Sheet Metal Workers, Local 104	41	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	109	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	703	30-Jun-22
Teamsters, Local 853	178	30-Jun-22
Teamsters, Local 856 Miscellaneous	99	30-Jun-22
Teamsters, Local 856 Supervising Nurses	127	30-Jun-22
TWU, Local 200	385	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	50	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,721	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	203	30-Jun-22
Unrepresented Employees	88	30-Jun-22
Other	872	
	<u>37,907</u> ¹	

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

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

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San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

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

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2018 is 43,129, compared to 41,867 at July 1, 2017. Active membership at July 1, 2018 includes 8,123 terminated vested members and 1,060 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,965 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-19 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2014 through July 1, 2018.

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TABLE A-19

City and County of San Francisco
Employees' Retirement System
July 1, 2014 through July 1, 2018

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See <http://mysfers.org/resources/publications/sfers-actuarial-valuations/>. The information therein is not incorporated by reference in this Official Statement.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

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

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

At the November 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1, 2017 actuarial valuation. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each

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union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

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

Employer Contribution History and Annual Valuations

Fiscal year 2016-17 total City employer contributions were \$519.1 million, which included \$230.1 million from the General Fund. Fiscal year 2017-18 total City employer contributions were \$582.6 million; which included \$315.3 million from the General Fund. For fiscal year 2018-19, total City employer contributions to the Retirement System are budgeted at \$589.9 million, which includes \$277.6 million from the General Fund. These budgeted amounts are based upon the fiscal year 2018-19 employer contribution rate of 23.31% (estimated to be 19.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2019-20 employer contribution rate is 25.19% (estimated to be 21.8% after cost-sharing). The increase in employer contribution rate from 23.31% to 25.19% reflects the decrease in discount rate from 7.50% to 7.40%, a new Supplemental COLA effective July 1, 2018, and the continued phase-in of the 2015 demographic assumption changes approved by the Retirement Board. The increase is offset by investment returns better than assumed. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-20 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2013-14 through 2017-18. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-20

City and County of San Francisco
 Employees' Retirement System
 Fiscal Years 2013-14 through 2017-18
 (000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates ¹ in prior FY
2014	\$21,122,567	\$19,920,607	\$18,012,088	94.3%	85.3%	\$821,902	24.82%
2015	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2017	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40
2018	27,335,417	24,557,966	23,866,028	89.8	87.3	983,763	23.46

¹ Employer contribution rates for fiscal years 2018-19 and 2019-20 are 23.31% and 25.19%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
 SFERS' annual Actuarial Valuation Report dated July 1st.

See <http://mysfers.org/resources/publications/>. The information on such website is not incorporated here by reference.

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

As shown in the table above as of July 2018, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

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

Governmental Accounting Standards Board ("GASB") Disclosures

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to six basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAS that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAS that have been already been granted as of the valuation date.

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Table A-20A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-20A

City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2013-14 through 2017-18 (000s)						
As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective-Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2014	\$21,691,042	7.58 %	\$19,920,607	91.8 %	\$1,770,435	\$1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2016	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2017	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131
2018	28,840,673	7.50	24,557,966	85.2	4,282,707	4,030,207

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

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

The decline in the City's net pension liability at the last two fiscal year-ends is due to investment returns during those fiscal years that exceeded the assumed 7.50%.

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2018, see the City's CAFR.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2018 were 9.61%. For the ten-year and twenty-year periods ending June 30, 2018, annualized investment returns were 6.87% and 7.22% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

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2011 Voter Approved Changes to the Retirement Plan

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

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

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;
2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;
3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between \$50,000 and \$100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn \$100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and
4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

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

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the SFERS Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of \$34 million, create additional

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liability for continuing payments of \$114 million, and cause a new unfunded liability of \$148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be \$260 million, with over \$200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board appealed the Superior Court's injunction; however, the injunction was affirmed by the Court of Appeal reserving the power to take action for the City's voters..

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

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

As of June 30, 2018, the audited market value of Retirement System assets was \$24.6 billion. As of June 30, 2019, the unaudited market value of SFERS' portfolio was \$25.8 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The estimated total employer contributions to CalPERS was \$31.8 million in fiscal year 2016-17, \$34.8 million in fiscal year 2017-18, and \$39.4 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18 and 2018-19 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2017. A

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discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45.*"

Medical Benefits

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

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical and dental benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

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

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, the Health Service Trust Fund is not currently affected by GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), or GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made

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by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions and exchanged for a percentage-based employee premium contribution. The long-term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits and GASB 45.*"

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare. In addition to the 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

After application of the calculations described above, the City contributes 50% of monthly contributions required for the first dependent.

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City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in the table below. In 2019, the provision for retirees who have at least 10 but less than 15 years of Credited Service with the Employers will apply for the first time.

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

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress in December 2017 and January 2018, respectively, have amended and repealed some of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT"). The ACT eliminated the ACA's individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate,

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rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to SFHSS members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing high cost, limit duration COBRA benefits instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-65 retirees. In addition, the overall cost of health care may increase as a result of changes in risk pools due to the young, healthy population not electing coverage.

On January 22, 2018 Congress approved the delay of three ACA taxes that impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**
The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. Implementation of the tax has been delayed twice and is now effective in 2022. SFHSS continues to evaluate the future impact of the cost of medical benefits for all coverage tiers and it is expected that the plans for pre-65 retirees will trigger the tax first.
- **Health Insurance Tax ("HIT")**
The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.
- **Medical Device Excise Tax**
The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

The Patient Centered Outcomes Research Institute ("PCORI") fee is a provision of the Affordable Care Act and sunsets after the 2018 plan year. Beginning in 2013, the PCORI Fee was assessed at the rate of \$2.00 per enrollee per year to all participants in the Self-Insured medical-only plan. The 2018 plan year PCORI fee is \$2.39 per enrollee per year and was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year. The final payment for the PCORI fee, due in July 2019, will be approximately \$6,000.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax will apply to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2, Statutes 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The average fee is \$1.30 per covered life per month for January 2019 until it sunsets and in 2019 the obligation is expected to be approximately \$0.6 million for the City and County of San Francisco.

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Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care, and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

As mentioned above, on November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. In addition, the Proposition requires employees hired on or before January 9, 2009 to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning July 1, 2016. The contribution requirement increased to 0.50% effective July 1, 2017, 0.75% effective July 1, 2018 and will cap out at 1.00% on July 1, 2019. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2017-18, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$758.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$642.5 million; approximately \$178.5 million of this \$642.5 million amount was for health care benefits for approximately 21,970 retired City employees and their eligible dependents and approximately \$464.0 million was for benefits for approximately 32,597 active City employees and their eligible dependents.

The 2019 aggregate cost of benefits offered by SFHSS to the City increased by 2.47%. This increase is due to several factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. In 2019, the initial estimated aggregate cost of benefits offered by SFHSS to the City, before any negotiations with the plans, show an increase of 7.4%.

Post-Employment Health Care Benefits

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

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Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

1. The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,
2. The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,
3. The Controller, Mayor, Trust Board and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements

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

GASB 75 Reporting Requirements

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

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return;
- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations;

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- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms; and,
- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

City's Estimated Liability [update to come]

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was \$4.26 billion, and the actuarial value of assets was \$49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

The difference between the estimated annual required contribution ("ARC") and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2016-17 annual OPEB cost was \$401.4 million, of which the City funded \$175.0 million which caused, among other impacts, the City's long-term liability to increase by \$237.5 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2018. Five-year trend information is displayed in Table A-21.

TABLE A-21 [update to come]

CITY AND COUNTY OF SAN FRANCISCO			
Five-year Trend			
Fiscal Years 2012-13 to 2016-17 ¹			
(000s)			
Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	\$418,539	38.3%	\$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

¹ Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

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Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent-of-salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – Recent Voter Approved Changes to the Retirement Plan" above. In accordance with GASB 75, the City's actuarial analysis is updated every two years. As of June 30, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was \$187.4 million, an increase of 63% versus the prior year. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but is expected to grow as the workforce retires and this requirement was extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2018 is approximately \$240.1 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-22 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-22 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2015-16 to fiscal year 2020-21.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO						
Employee Benefit Costs, All Funds						
Fiscal Years 2015-16 through 2020-21						
(000s)						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual ¹	Actual ¹	Actual ¹	Budget ⁴	Budget ⁴	Budget ⁴
SFERS and PERS Retirement Contributions	\$531,821	\$554,956	\$621,055	\$628,601	\$733,385	\$799,404
Social Security & Medicare	184,530	196,914	\$212,782	\$215,164	\$229,342	\$238,401
Health - Medical + Dental, active employees ²	421,864	459,772	\$501,831	\$508,108	\$525,511	\$553,208
Health - Retiree Medical ²	158,939	165,822	\$178,378	\$186,742	\$195,607	\$212,584
Other Benefits ³	20,827	21,388	\$44,564	\$21,229	\$23,308	\$46,748
Total Benefit Costs	\$1,317,981	\$1,398,852	\$1,558,609	\$1,559,844	\$1,707,153	\$1,850,345

¹ Fiscal year 2015-16 through fiscal year 2017-18 figures are audited actuals.

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

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

⁴ Figures for fiscal years 2018-19, 2019-20 and 2020-21 are Original Budget amounts.

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

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INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of July 31, 2019, the City's surplus investment fund consisted of the investments classified in Table A-23 and had the investment maturity distribution presented in Table A-24.

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TABLE A-23

City and County of San Francisco
Investment Portfolio for Pooled Funds
As of July 31, 2019

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	\$725,000,000	\$719,134,974	\$723,026,500
Federal Agencies	5,559,650,000	5,556,375,094	5,567,477,883
State and Local Obligations	89,231,641	90,519,038	89,496,780
Public Time Deposits	35,000,000	35,000,000	35,000,000
Negotiable Certificates of Deposit	2,190,000,000	2,190,000,000	2,193,952,523
Commercial Paper	763,000,000	755,201,993	760,311,299
Medium Term Notes	34,650,000	34,536,271	34,679,484
Money Market Funds	478,803,362	478,803,362	478,803,362
Supranationals	851,151,000	846,659,623	851,263,451
Total	\$10,726,486,003	\$10,706,230,355	\$10,734,011,282

July 2019 Earned Income Yield: 2.376%

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

TABLE A-24

City and County of San Francisco
Investment Maturity Distribution of Pooled Funds
As of July 31, 2019

Maturity in Months	Par Value	Percentage
0 to 1	\$1,323,263,362	12.34%
1 to 2	732,716,000	6.83%
2 to 3	864,300,000	8.06%
3 to 4	443,600,000	4.14%
4 to 5	506,360,000	4.72%
5 to 6	337,295,000	3.14%
6 to 12	1,711,035,000	15.95%
12 to 24	2,401,716,641	22.39%
24 to 36	1,456,200,000	13.58%
36 to 48	150,000,000	1.40%
48 to 60	800,000,000	7.46%
	\$10,726,486,003	100.0%

Weighted Average Maturity: 468 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2018 are described in the City's CAFR, Notes 2(c) and 5.

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CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains \$39.1 billion in capital investments over the coming decade for all City departments, including \$5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes \$2.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over \$200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources, as summarized in Table A-25 below.

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TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
 Planned Funding Sourced for General Fund Departments
 Fiscal Years 2019-20 through 2028-29
 (000s)

Funding Source	Amount
General Fund	\$1,816
General Obligation Bonds	1,651
Other Debt	678
Federal, State, and Other Sources	920
Total	\$5,065 ¹

¹ Total may not foot due to rounding.

Source: Capital Planning, City and County of San Francisco.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends \$20.3 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City’s growing transit fleet, among others. Approximately \$10.2 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City’s adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City’s physical infrastructure. As a result, over \$4.9 billion in capital needs including enhancements are deferred from the plan’s horizon.

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds”) can only be authorized with a two-thirds approval of the voters. As of June 30, 2019, the City had approximately \$2.29 billion aggregate principal amount of general obligation bonds outstanding. In addition to the City’s general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

Table A-26 shows the annual amount of debt service payable on the City’s outstanding general obligation bonds.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds Debt Service
 June 30, 2019^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2019-20 ³	\$139,571,232	\$97,182,913	\$236,754,145
2020-21	137,850,457	90,516,358	228,366,815
2021-22	144,593,400	84,183,522	228,776,922
2022-23	149,075,251	77,455,698	226,530,949
2023-24	152,516,206	70,331,730	222,847,936
2024-25	154,256,476	63,008,608	217,265,084
2025-26	150,461,279	55,751,332	206,212,611
2026-27	156,635,840	49,033,182	205,669,022
2027-28	162,249,035	42,379,634	204,628,669
2028-29	163,376,751	35,914,335	199,291,086
2029-30	160,425,095	29,290,830	189,715,925
2030-31	123,171,950	22,903,517	146,075,467
2031-32	127,325,000	18,439,873	145,764,873
2032-33	93,645,000	13,887,254	107,532,254
2033-34	70,280,000	10,364,161	80,644,161
2034-35	62,675,000	7,774,741	70,449,741
2035-36	42,920,000	5,485,320	48,405,320
2036-37	31,275,000	3,969,479	35,244,479
2037-38	21,325,000	2,869,529	24,194,529
2038-39	1,660,000	2,089,767	3,749,767
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL ⁴	\$2,293,487,972	\$805,850,417	\$3,099,338,389

¹ This table includes the City's General Obligation Bonds shown in Table A-24 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

² Totals reflect rounding to nearest dollar.

³ Excludes payments made to date in current fiscal year

⁴ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal

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

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Authorized but Unissued City General Obligation Bonds

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

Approved by voters in November 1992, Proposition A authorized the issuance of up to \$350.0 million in general obligation bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015 the City issued \$89.3 million of bonds under the original Proposition A authorization. In November 2016 voters approved Proposition C, which amended the 1992 Proposition A authorization (the "Propositions") to broaden the scope of the remaining \$260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In early 2019, \$72.4 million of bonds were issued under the Propositions. Currently \$188.3 million remains authorized and unissued.

In November 2012, voters approved Proposition B (the "2012 Parks Proposition"), which authorized the issuance of up to \$195.0 million in general obligation bonds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City has issued \$191.9 million over three series of bonds between 2013 and 2018, leaving \$3.1 million authorized and unissued.

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to \$500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City has issued \$241.5 million over two series of bonds in 2015 and 2018, leaving \$258.5 million authorized and unissued.

In November 2015, voters approved Proposition A (the "2015 Affordable Housing Proposition") which authorized the issuance of up to \$310.0 million in general obligation bonds for the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and 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 has issued \$217.3 million over two series of bonds in 2016 and 2018, leaving \$92.7 million authorized and unissued.

In June 2016, voters approved Proposition A (the "2016 Public Health & Safety Proposition"), which authorized the issuance of up to \$350.0 million in general obligation bonds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City has issued \$223.1 million over two series of the bonds in 2017 and 2018, leaving \$126.9 million authorized and unissued.

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In November 2018, voters approved Proposition A (“the 2018 Seawall Proposition”), authorizing the issuance of up to \$425.0 million in general obligation bonds for repair and improvement projects along the City’s Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. Bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the “2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-27 below.

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of August 1, 2019

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	\$232,075,000	\$3,480,000
2011-R1	November 2011	339,475,000	149,240,000 ¹
2015-R1	February 2015	293,910,000	234,310,000 ²

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

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

Table A-28 below lists for each of the City’s voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of August 1, 2019, the City had authorized and unissued general obligation bond authority of approximately \$1.1 billion.

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of August 1, 2019

Description of Issue (Authorization Amount - Date of Authorization)	Authorization Amount	Series	Issued	Outstanding ¹	Authorized & Unissued
Seismic Safety Loan Program (Prop A - 11/3/92) ²	\$350,000,000	1994A	\$35,000,000	-	
		2007A	30,315,450	\$18,657,973	
		2015A	24,000,000	-	
Repurposing for Affordable Housing (Prop C - 11/8/2016)		2019A	72,420,000	72,420,000	\$188,264,550
Clean & Safe Neighborhood Parks (Prop A - 2/5/08)	\$185,000,000	2008B	42,520,000	-	
		2010B	24,785,000	-	
		2010D	35,645,000	35,645,000	
		2012B	73,355,000	45,285,000	
		2016A	8,695,000	7,195,000	-
San Francisco General Hospital and Trauma Center (Prop A - 11/4/08)	\$887,400,000	2009A	131,650,000	-	
		2010A	120,890,000	-	
		2010C	173,805,000	173,805,000	
		2012D	251,100,000	147,770,000	
		2014A	209,955,000	154,035,000	-
Earthquake Safety and Emergency Response Bond (Prop B - 6/8/10)	\$412,300,000	2010E	79,520,000	38,355,000	
		2012A	183,350,000	114,990,000	
		2012E	38,265,000	28,380,000	
		2013B	31,020,000	16,720,000	
		2014C	54,950,000	40,095,000	
		2016C	25,215,000	21,435,000	-
		2016E	44,145,000	37,515,000	-
Road Repaving & Street Safety (Prop B - 11/8/11)	\$248,000,000	2012C	74,295,000	46,360,000	
		2013C	129,560,000	69,785,000	
		2016E	44,145,000	37,515,000	-
Clean & Safe Neighborhood Parks (Prop B - 11/6/12)	\$195,000,000	2013A	71,970,000	38,780,000	
		2016B	43,220,000	23,355,000	
		2018A	76,710,000	44,855,000	3,100,000
Earthquake Safety and Emergency Response Bond (Prop A - 6/3/14)	\$400,000,000	2014D	100,670,000	73,435,000	
		2016D	109,595,000	72,305,000	
		2018C	189,735,000	137,570,000	-
Transportation and Road Improvement (Prop A - 11/4/14)	\$500,000,000	2015B	67,005,000	41,870,000	
		2018B	174,445,000	102,010,000	258,550,000
Affordable Housing Bond (Prop A - 11/3/15)	\$248,000,000	2016F	75,130,000	48,485,000	
		2018D	142,145,000	102,070,000	92,725,000
Public Health and Safety Bond (Prop A - 6/7/16)	\$350,000,000	2017A	173,120,000	116,925,000	
		2018E	49,955,000	36,370,000	126,925,000
Seawall Improvement (Prop A - 11/6/2018)	\$425,000,000	n/a	-	-	425,000,000
SUBTOTAL			\$3,168,135,450	\$1,906,457,973	\$1,094,564,550
General Obligation Refunding Bonds:					
Series 2008-R1 issued 5/29/08			\$232,075,000	\$3,480,000	n/a
Series 2011-R1 issued 11/9/12			339,475,000	149,240,000	n/a
Series 2015-R1 issued 2/25/15			293,910,000	234,310,000	n/a
SUBTOTAL			\$865,460,000	\$387,030,000	
TOTALS			\$4,033,595,450	\$2,293,487,973	\$1,094,564,550

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

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

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

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General Fund Lease Obligations

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

Table A-29 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of August 1, 2019.

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TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2019¹

Fiscal Year ²	Principal	Interest ³	Annual Payment Obligation
2019-20 ⁴	\$48,515,000	\$58,564,205	\$107,079,205
2020-21	57,210,000	56,216,292	113,426,292
2021-22	57,625,000	53,620,057	111,245,057
2022-23	60,210,000	50,974,336	111,184,336
2023-24	62,415,000	48,204,761	110,619,761
2024-25	62,750,000	45,307,931	108,057,931
2025-26	63,220,000	42,438,259	105,658,259
2026-27	66,205,000	39,423,728	105,628,728
2027-28	61,035,000	36,331,460	97,366,460
2028-29	65,915,000	33,281,225	99,196,225
2029-30	66,590,000	30,079,252	96,669,252
2030-31	62,040,000	27,098,252	89,138,252
2031-32	51,690,000	24,356,080	76,046,080
2032-33	52,545,000	22,185,304	74,730,304
2033-34	54,795,000	19,783,998	74,578,998
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL⁵	\$1,297,555,000	\$674,175,658	\$1,971,730,658

¹ Excludes private placements.

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

³ Totals reflect rounding to nearest dollar.

⁴ Excludes payments made to date in current fiscal year.

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

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

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Voter-Approved Lease Revenue Bonds

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

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

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of August 1, 2019, the total authorized and unissued amount for such financings was \$82.3 million.

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

In March 2000, voters approved Proposition C, which extended a two- and one-half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenues bonds, which are currently outstanding in the principal amount of \$31.9 million, to refund the outstanding Series 2006 and Series 2007 Open Space Fund lease revenue bonds.

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

Table A-30 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

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TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of August 1, 2019

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION¹			
Series 2009A (Multiple Capital Improvement)	2031	\$163,335,000	\$112,395,000
Series 2009B (Multiple Capital Improvement Projects)	2035	37,885,000	28,905,000
Series 2009C (525 Golden Gate Avenue - Tax Exempt)	2022	38,120,000	16,255,000
Series 2009D (525 Golden Gate Avenue - BABs)	2041	129,550,000	129,550,000
SFGH Emergency Backup Generators Project ²	2025	22,549,489	12,612,156
Refunding Series 2010A	2033	138,445,000	95,880,000
Refunding Series 2011A (Moscone)	2024	86,480,000	13,825,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	34,050,000
Series 2013B/C (Port Facilities Project)	2038/2043	37,700,000	30,010,000
Refunding Series 2014-R1/2014-R2 (Courthouse & Juvenile Hall)	2021/2034	47,220,000	31,790,000
Series 2015A/B (War Memorial Veterans Building)	2045/2024	134,325,000	122,705,000
Refunding Series 2015-R1 (City Office Buildings)	2040	123,600,000	115,140,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	13,430,000
Citywide Emergency Radio Replacement Project (Gsmart) ²	2026	34,184,136	26,154,039
Series 2017A (Hope San Francisco) Taxable	2047	28,320,000	27,020,000
Series 2017B (Moscone Convention Center Expansion)	2042	412,355,000	402,550,000
Subtotal Certificates of Participation			\$1,212,271,195
LEASE REVENUE BONDS			
Series 2008-1 (Refunding Moscone Center Expansion Project) ³	2030	\$72,670,000	\$36,300,000
Series 2008-2 (Refunding Moscone Center Expansion Project) ³	2030	72,670,000	36,300,000
Series 2010-R1 (Emergency Communication Refunding)	2024	22,280,000	7,320,000
Series 2018A (Refunding LRB's Open Space Fund)	2029	34,950,000	31,955,000
Series 2018B (Refunding LRB's Library Preservation Fund)	2028	13,355,000	12,175,000
Subtotal Lease Revenue Bonds			\$124,050,000
Total General Fund Obligations			\$1,336,321,195

¹ Excludes Commercial Paper and the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of \$78,000,000.

² Private placement

³ Variable rate

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance these certificates.

Animal Care and Control Renovation Project: In November 2016, the Board authorized, and the Mayor approved the issuance of not to exceed \$60.5 million of City and County of San Francisco Certificates of Participation to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in Fiscal Year 2020-21.

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Housing Trust Fund Project: In April of 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$95 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in Winter/Spring 2020.

49 South Van Ness Project: In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed \$321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in late 2019.

Commercial Paper Program

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

The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of \$75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of \$75 million). These credit facilities expire in May of 2021.

The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company initially scheduled to expire in February of 2019. In December 2018, the City extended the original letter of credit issued by State Street Bank and Trust Company by three years, expiring in February of 2022.

As of August 1, 2019, the outstanding principal amount of CP Notes is \$120.5 million. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include 49 South Van Ness, Animal Care and Control, and Housing Trust Fund. Other projects currently utilizing the CP Program are the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment and the Hall of Justice Relocation Project which is interim financing the costs of the land acquisition, including demolition and related site preparation costs. The weighted average interest rate for the outstanding CP Notes is approximately 1.51%.

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Transbay Transit Center Interim Financing

In May of 2016, the Board authorized, and the Mayor approved the establishment of a not-to-exceed \$260.0 million Lease Revenue Commercial Paper Certificates of Participation (the "Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center (now known as the Salesforce Transit Center). The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds (secured by special taxes) and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates originally consisted of \$160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020, and \$100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018.

As of August 1, 2019, the TJPA had a total of \$78.0 million outstanding from the Wells Fargo financing facility, at a current interest rate of 2.79%.

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of August 1, 2019 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of August 1, 2019

<u>2019-20 Assessed Valuation</u> (Includes unitary utility valuation):	\$281,683,409,781 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,293,487,973
San Francisco Unified School District	898,785,000
San Francisco Community College District	<u>215,130,000</u>
TOTAL GENERAL OBLIGATION BONDS	\$3,407,402,973
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	<u>\$1,401,709,039</u>
LONG-TERM OBLIGATIONS	\$1,401,709,039 ²
TOTAL COMBINED DIRECT DEBT	\$4,809,112,012
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (34.153%) ²	\$266,555,627 ³
San Francisco Community Facilities District No. 4	19,565,000
San Francisco Community Facilities District No. 6	123,466,726
San Francisco Community Facilities District No. 7	35,585,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,807,577
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	397,895,000
City of San Francisco Assessment District No. 95-1	470,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,795,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,225,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	<u>2,965,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$864,329,930
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$800,377,447
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$6,473,819,389 ⁴
<u>Ratios to 2019-20 Assessed Valuation:</u>	<u>Actual Ratio</u>
Direct General Obligation Bonded Debt (\$3,407,402,973)	1.21% ⁵
Combined Direct Debt (\$4,809,112,012)	1.71%
Total Direct and Overlapping Bonded Debt	2.30%
<u>Ratio to 2019-20 Redevelopment Incremental Valuation (\$94,366,733,708)</u>	
Total Overlapping Tax Increment Debt	2.33%

¹ Includes \$610,103,200 homeowner's exemption for FY19-20.

² Includes the CCSF Lease Revenue Direct Placement Revolving COPS (Transbay), currently outstanding in the principal amount of \$78,000,000. Excludes privately placed SFGH Emergency Backup Generators Project, currently outstanding in the principal amount of \$12,612,156.

³ 2018-19 ratio. Bay Area Rapid Transit District's 2019-20 assessed valuation is not available at this time.

⁴ Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds

⁵ The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY19-20 AV is 0.81%.

Source: California Municipal Statistics Inc.

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MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 404 acres on Treasure Island and 94 acres on adjoining Yerba Buena Island, plus approximately 540 acres of unfilled tidal and submerged lands adjacent to the Islands in San Francisco Bay. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; 140,000 sf of retail and entertainment venues; 311,000 sf of adaptive reuse of historic structures; and a world-class 300-acre parks and open space system including shoreline access and cultural uses such as a museum. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plan includes green building standard, best practices in low-impact development, and sea level rise adaptation strategies.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. This was followed by smaller transfers of additional parcels on Treasure Island in September 2016, August 2017, and September 2018, and a fifth transfer is expected in 2019. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016. Demolition in these areas is complete, and initial infrastructure and geotechnical improvements are underway. The first phase of development will include extensive horizontal infrastructure improvements (utilities, ferry facilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over 15 to 20 years.

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

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 4.4 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over \$6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately \$90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 439 completed units and 66 units currently under construction. An additional 174 units will begin construction in 2020. At Candlestick Point (Phase 2 of the Project), 337 housing units are now complete which includes a mix of public housing replacement and new affordable units. In 2016, horizontal infrastructure construction commenced in Candlestick Point to support additional residential and commercial development; designs for the former Candlestick Point Stadium site for a mixed-use residential, office, retail, hotel and film and arts center are currently underway.

Mission Bay South Project Area

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 4.15 million square feet of building space and a 550-bed hospital on 65 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; 3.5 million square feet of office and lab space; 6,514 housing units, with 1,914 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a 18,000 seat event center; a new 500-student public school; and a new fire and police station and police headquarters.

Mission Bay South Blocks 29-32 – Warriors Multi-purpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, developed a multi-purpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site has restaurants, retail, office space, bike valet, public plazas and a limited amount of parking.

Salesforce Transit Center (formerly known as the "Transbay Transit Center")

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors and includes additional funding sources for the Salesforce Transit Center. The Salesforce Transit Center replaces the former Transbay Terminal at First and Mission streets with a modern transit hub and includes a future extension

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of the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and opened in August 2018.

The Pelli Clarke Pelli Architects-designed transit center was designed to serve more than 100,000 people per day through 11 transportation systems, including future California High Speed Rail, which connect San Francisco to Los Angeles in less than 2-1/2-hours. The center embraces the goals of green architecture and sustainability. The heart of the Salesforce Transit Center is Salesforce Park, a 5.4-acre public park atop the facility that serves as a living "green roof" for the transit facility. The Salesforce Transit Center will have a LEED rating of at least Silver due to its sustainable design features and its related facilities, including Salesforce Park. Construction and operation of the Salesforce Transit Center is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency (OCII) among others.

OCII has land use jurisdiction over the 10 acres of property formerly owned by the State surrounding the Salesforce Transit Center, which is being redeveloped with plans for 3,300 new homes, of which 1,300 will be affordable below-market rate homes, over 2.4 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, five parcels are fully complete, and [five] parcels are in various stages of pre-development and development. Two of those parcels are currently under construction and will provide over 900 housing units within the next [six months]. The sale of various sites has generated more than \$600 million in funding for construction of the Salesforce Transit Center.

In September 2018, construction crews discovered fissures in two steel beams in the ceiling of the third-level bus deck on the eastern side of the transit center near Fremont Street. After several inspections and out of an abundance of caution, the TJPA temporarily closed the transit center to repair the issue and conduct intensive inspections.

The agency reopened the transit center on July 1, 2019 after the TJPA repaired and reinforced the affected area, reinforced a similarly designed area of the transit center, conducted an eight-month exhaustive facility-wide review; and recommissioned the entire facility. This was all done with the oversight of an independent panel of experts requested by both Mayor Breed of San Francisco and Mayor Schaaf of Oakland who concluded that all necessary steps were taken to reopen the center to the public. The transit center is back to full transit operations and use of its rooftop park has been steadily increasing.

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

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres of land and pier structures. The Port's development partner on the project is a partnership between the San Francisco Giants and Tishman Speyer (called Mission Rock Partners). The approved development for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of the San Francisco Giants' Ballpark as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

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On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the project site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. In April 2018, State Lands Commission made determinations required under California statutes to allow the Mission Rock development to move forward. Phase 1 infrastructure is planned to break ground in late 2019 and the four, phase 1 buildings (two primarily apartment buildings and two primarily office buildings) are planned for construction concurrent with the Phase 1 infrastructure. Full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial new development, new parks, and adaptive reuse of historic structures, on this 69-acre site. Goals of the plans are to preserve and reuse historic structures; retain ship repair operations; provide new open space; and reactivate the site. Achieving these goals requires site remediation and substantial new infrastructure. Some of the planning objectives have already been achieved – including the complete rehabilitation of 7 very significant historic buildings (through a Master Lease with Orton Development, Inc.) and site preparation of the new Crane Cove Park. Rehabilitation of a final historic building in the Orton lease is well underway and will be complete in mid-2020. Construction of Crane Cove Park, a new segment of 19th street, and a new 19th street surface parking lot are all underway and anticipated to be opened in phases between mid-2020 and early 2021.

Located on the largest undeveloped portion of the site, the Port, OEWD, and Brookfield Properties (formerly, Forest City), completed all project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018. The Special Use District for the neighborhood includes 9 acres of new parks, 1,600 to 3,000 residential units with 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, and 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Brookfield team completed site preparations in 2018 and began Phase 1 infrastructure construction in early 2019. The first buildings at the site are planned to be completed as early as 2021.

Mosccone Convention Center Expansion Project

The Moscone Center Expansion Project added approximately 300,000 square feet and re-purposed an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space was created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street; with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and re-purposed building support area.

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The project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of \$507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued \$412.0 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project achieved substantial completion on December 31, 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIII A of the California Constitution

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

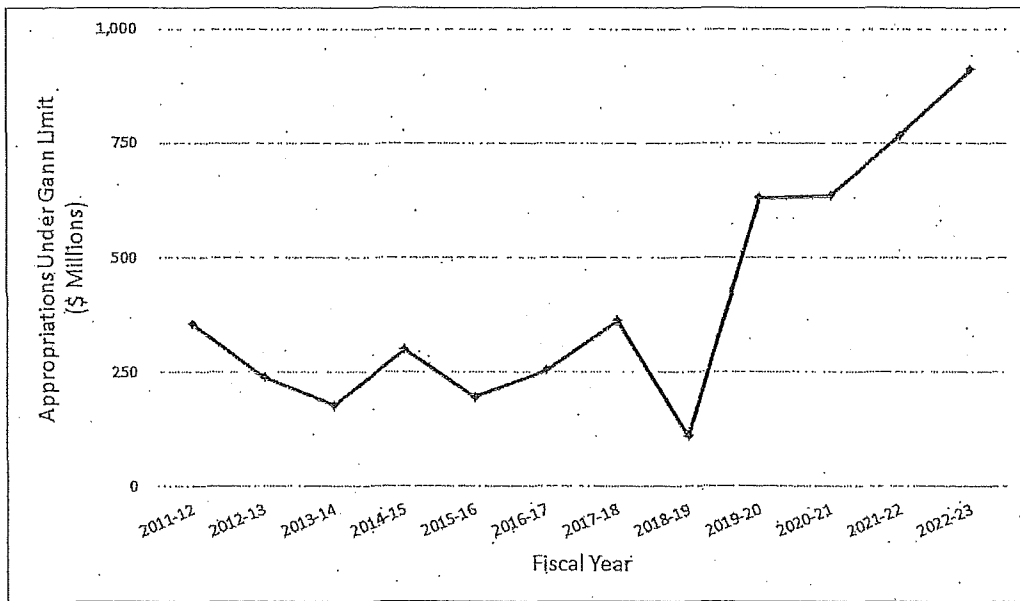
The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher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

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

Article XIII B of the California Constitution

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



Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt.

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However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

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

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

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

[On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley*, 59 Cal. App. 4th 1441 (1997), the Court of

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Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles*, 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.]

Proposition 1A

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

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

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

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or

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

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

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

Future Initiatives and Changes in Law

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

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

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LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2018. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS – Salesforce Transit Center (formerly known as the "Transbay Transit Center")."

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Salesforce Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. The City is a defendant in four of these lawsuits.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in two lawsuits filed by owners of multiple units, the Ying Lawsuit (Case No. 17-559210) and the Turgeon Lawsuit (Case No. 18-564417). The Montana, Ying and Turgeon Lawsuits contain similar claims as the Lehman Lawsuit. The parties have been participating in confidential mediation, and recently reached an agreement-in-principle as to the amounts to be paid and received pursuant to a global resolution of the litigation. The agreement is contingent on the negotiation, execution and approval of one or more documented global settlement agreements, as well as resolution of certain other contingencies. Discovery is stayed while the parties document the settlement, and the terms of the agreement-in-principle, including any contribution from the City or TJPA, remain subject to the mediation privilege. In the event that the settlement-in-principle is not finalized, the City cannot make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

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Risk Retention Program

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

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

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

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

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

2019 SEP 03 11:42

A handwritten signature in black ink, appearing to be "SK", written over a horizontal line.

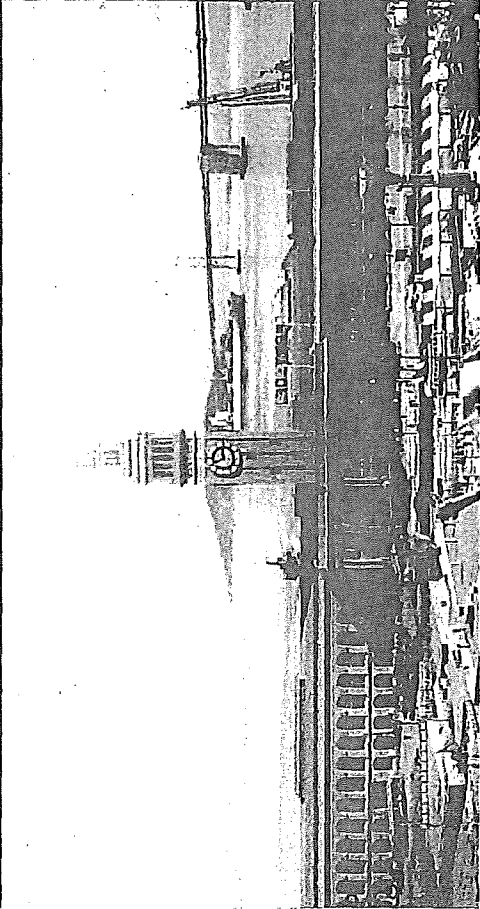
Handwritten initials "SK" in black ink, consisting of a large "S" and a "K" with a checkmark-like flourish.

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Authorizing Certificates of Participation - Multiple Capital Improvement
Projects - Not to Exceed \$62,000,000
DATE: Tuesday, September 3, 2019

Ordinance authorizing the execution and delivery of Certificates of Participation, in one or more series from time to time, on a tax-exempt or taxable basis, evidencing and representing an aggregate principal amount of not to exceed \$62,000,000 to (i) finance and refinance the acquisition of certain real property located within the City for the improvement and equipping of certain existing real property and improvements owned and maintained by the City, including but not limited to the improvement and equipping of the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities, and (ii) the retirement of certain commercial paper notes of the City issued on an interim basis for such purposes; approving the form of a Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank National Association, as trustee ("Trustee") (including certain indemnities contained therein); approving respective forms of Supplements to Property Lease and Project Lease, each between the City and the Trustee, for the lease and lease back of all or a portion of certain real property and improvements located at 375 Laguna Honda Boulevard or other property as determined by the Director of Public Finance; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates of Participation; approving the form of an official statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the Certificates of Participation; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141



ONESF

Open Space Culture

onesf.sfbayarea.org



City and County of San Francisco | Planning Department | 101 California Street, Suite 1000 | San Francisco, CA 94111

Approval of COPs for HOJ Exit Acquisitions and Relocation Projects

September 18, 2019



Action Items

Approval of Certificates of Participation Authorization and Issuance to Acquire Real Property at 1828 Egbert Ave. and McDonald's site

- Project cost total \$79.4M

Approval of Certificates of Participation Authorization for HOJ Exit Relocation tenant improvement projects

- Project cost total \$51.7M

Total COPs Project Costs for HOJ Exit Relocation Projects: \$131M

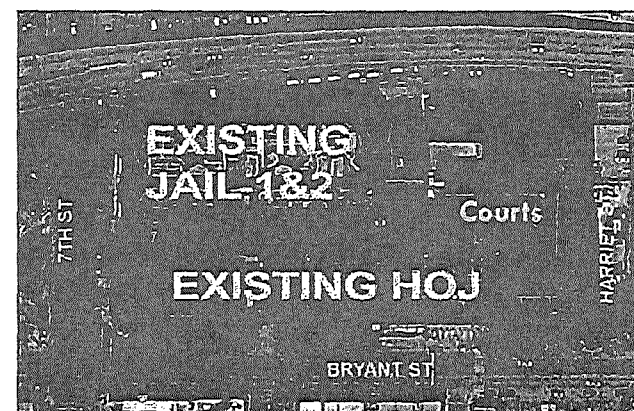
Capital Plan



- Hall of Justice Relocation Projects are funded in San Francisco's FY2020-29 Capital Plan in the Certificates of Participation (COPs) Program – see Public Safety chapter for narrative

General Fund Debt Program (\$M)

Issuance	Proposed Project	Amount
FY2019	Public Health 101 Grove Exit	108
FY2019	HOPE SF Horizontal Infrastructure	57
FY2020	Family Services Center / City Offices	50
FY2020	Hall of Justice Relocation Projects	131
FY2022	Critical Repairs Recession Allowance	60
FY2023	Critical Repairs Recession Allowance	60
FY2025	Hall of Justice Demolition & Enclosure	55
FY2026	Public Works Yards Consolidation	25
FY2028	Hall of Justice Consolidation Plan	417
TOTAL		963



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- These relocation projects encompass acquiring property needed for the permanent closure of the Hall of Justice, tenant improvements needed to remove the remaining staff from the Bryant Street wing of the Hall, consolidating the few remaining City offices, and solving for remaining Courts-related dependencies on the Hall jails

Acquisitions Overview



1828 Egbert

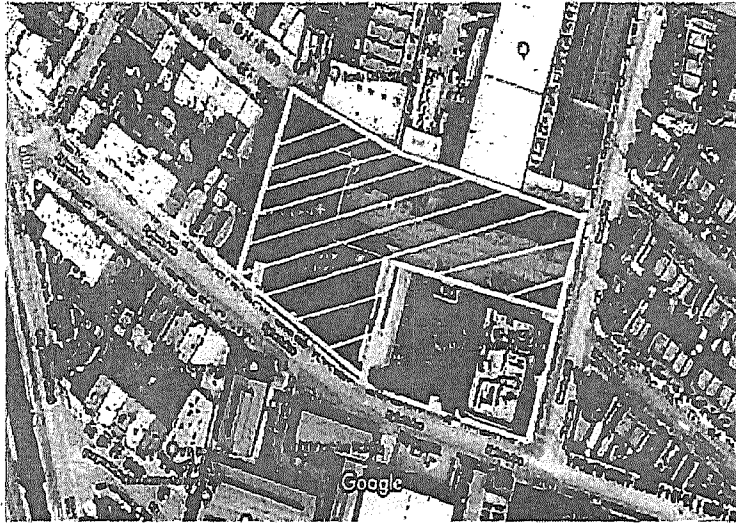
- Four-story building with reinforced concrete frame
- Approximately 126,988 s.f. total
- 63,300 s.f. of paved lot
- Occupancy Category 4 (most resilient)
- Current use is self-storage for 900 customers

McDonald's site

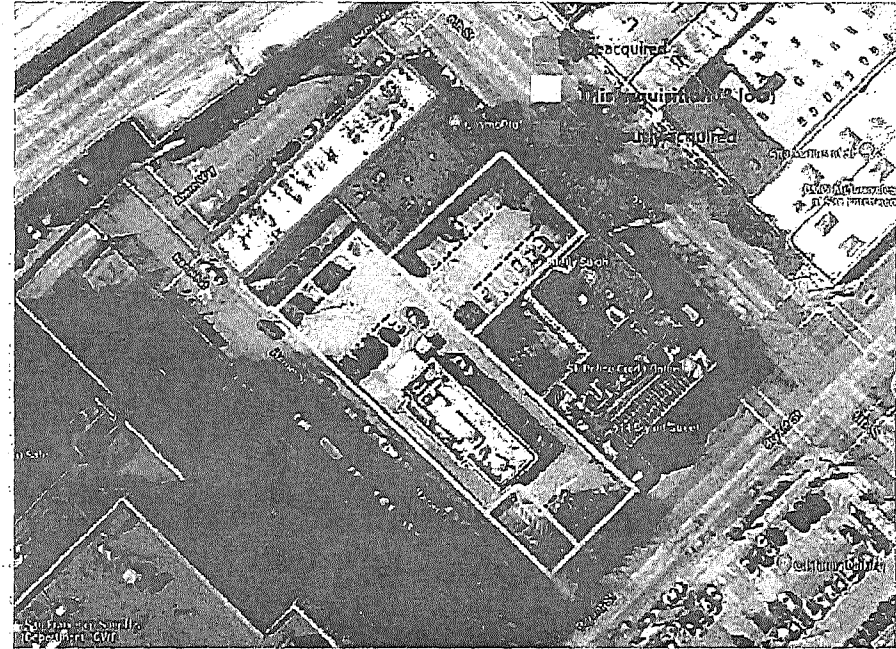
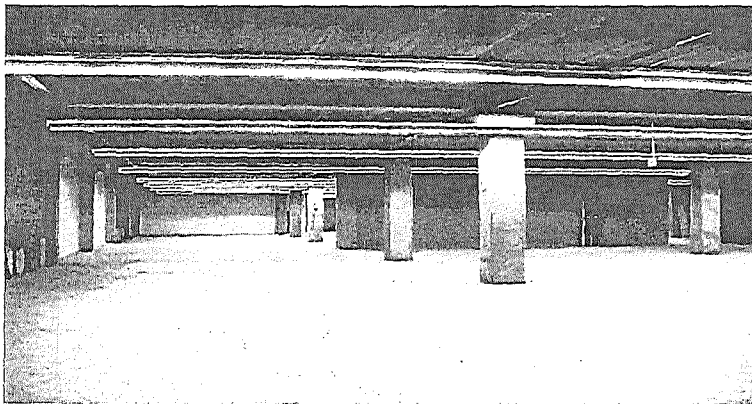
- Former McDonald's site
- 24,000 s.f. property
- 3 lots: 814-820 Bryant and 470 6th Street
- Existing structure will be demolished

Site Images

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1828 Egbert



McDonald's site (yellow outlines) and adjacent properties

Acquisition Transactions



1828 Egbert

- Purchase Price: \$67.3MM
- Holdback \$5M in escrow if Seller fails to remove self-storage customers
- Lease back for six months w/option to extend another 3 mos.
 - \$1,000 per month
 - Taken out of Holdback amount

McDonald's

- Purchase Price: \$11.6M
- Total not-to-exceed COP: \$16M includes transaction, financing, and site prep costs
- Already funded with Commercial Paper

Acquired Site Planned Uses



1828 Egbert

- Police Evidence and Property
- SFPD will be able to vacate current storage facilities at 850 Bryant (HOJ) & Building 606
- Meets the Police's needs in terms of space, infrastructure, security and seismic strength for these essential functions
- Decreases the risk of lost or misplaced items and ensures the integrity of trial evidence, and retesting for those wrongly convicted
- Unique design meets high standards required of evidence storage facilities, ensuring secure 24/7 access and fire controls

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McDonald's

- Site acquisition to enable holistic campus planning and development for a reconsolidated Hall of Justice complex per the FY20-29 Capital Plan
- Interim plan for parking use

Timeline for Site Acquisitions



- 820 Bryant already purchased with commercial paper
- Sept 2019: Introduce COPs legislation for authorization and issuance for both sites
- Oct 2019: Board approval of COPs for both sites
- Dec 2019 / Jan 2020: Expected issuance for both sites (following required 60 day hold)
- Jan 2020: Close escrow on Egbert purchase, lease back begins
- Summer or fall 2020: City takes possession of Egbert

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Site Acquisition COPs Breakdown



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	1828 Egbert	McDonald's
Site Acquisition	\$67,300,000	11,520,000
Title Insurance	45,000	10,605
Title Endorsement, Escrow Fees Other Fees	20,000	8,161
Demolition and Site Prep		461,234
Subtotal Estimated Project Cost	67,365,000	12,000,000
Audit Fee	134,730	24,000
Debt Service Reserve Fund	5,734,765	1,233,237
Capitalized Interest Fund	2,524,730	1,337,138
Cost of Issuance + Underwriter's Discount	1,355,775	940,625
Subtotal Costs of Issuance (rounded)	9,750,000	3,535,000
Total Estimated Costs (rounded)	77,115,000	15,535,000
Reserve for Market Uncertainty	1,485,000	465,000
Total Not to Exceed (rounded)	\$78,600,000	\$16,000,000

Tenant Improvements Overview



Some City offices are slated for HOJ Exit to leased and acquired properties, but those were never going to be enough to fully vacate the Bryant Street wing

- DA to 350 Rhode Island
- Adult Probation to 945 Bryant
- Police ID and SHF Warrants and Records (planned, still to be confirmed) to 777 Brannan
- Police Evidence to 1828 Egbert

858 Units/Staff that still need relocation include:

- Police Investigations
- SHF Security and Transportation
- Project SAFE
- Prisoner Legal Services
- Traffic Courts
- Courts-related holding
- Building services
- Room 125 data center

Spaces available for restacking:

- Basement former OCME and supplies/storage rooms
- 1st floor former OCME suite
- 4th floor former DA spaces
- 5th floor Police spaces, including Commission Room
- 6th floor auditorium and storage spaces

Planned TI Space Uses



HOJ Office Relocations (\$19.2M)

Former OCME suites	Traffic Courts Courts offices SHF staff and storage Prisoner Legal Services Project SAFE if needed
4 th and 5 th floor offices	Police Investigations
Commission Room, Auditorium	Police and other overflow uses as needed

Courts Holding Relocation (\$26.4M)

- Required for Courts operations
- Planned for basement of 425 7th Street

Timeline and Budget for TI Projects



- Fall 2019: Space planning and design
- Early 2020: Expected Board item for COP issuance

Hall of Justice Exit Restacking Tenant Improvements	\$19,235,000
Adjacent Site Acquisition/Demo/TI	6,000,000
Courts-Required Holding Relocation	26,400,000
Subtotal Estimated Project Cost (rounded)	51,635,000
Audit Fee	103,270
Debt Service Reserve Fund	4,588,397
Capitalized Interest Fund	2,563,381
Cost of Issuance	803,864
Underwriter's Discount	451,088
Subtotal Costs of Issuance (rounded)	8,510,000
Total Estimated Costs (rounded)	60,145,000
Reserve for Market Uncertainty	1,855,000
Total Not to Exceed (rounded)	62,000,000

860