**File No.** 250780 **Committee Item No.** 3
**Board Item No.** _____

# COMMITTEE/BOARD OF SUPERVISORS

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**Committee:** Budget and Finance Committee **Date** September 3, 2025
**Board of Supervisors Meeting** **Date** _____

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**Completed by:** Brent Jalipa **Date** August 28, 2025
**Completed by:** Brent Jalipa **Date** _____

[Authorizing Tax-Exempt and/or Taxable Certificates of Participation - Multiple Capital Improvement Projects - Not to Exceed $65,000,000]

**Ordinance authorizing the execution and delivery from time to time of tax-exempt or taxable Certificates of Participation, in one or more series, evidencing and representing an aggregate principal amount of not to exceed $65,000,000 ("Certificates"), to finance and refinance certain capital improvement projects within the City and County of San Francisco's ("City") contained in the Capital Plan and generally consisting of street resurfacing and curb ramp improvements; approving the form of a Supplement to Trust Agreement between the City and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee") (including certain indemnities contained therein); approving respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and the Trustee, for the lease to the Trustee and lease back to the City of all or a portion of certain real property and improvements owned by the City, together with any other property determined by the City's Director of Public Finance to be made subject to the lease and lease back arrangements; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates; approving the form of an Official Statement in preliminary and final form; approving the form of a purchase contract between the City and one or more initial purchasers of the Certificates; approving the form of a Continuing Disclosure Certificate, as defined herein; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of the Certificates, as defined herein; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.**

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

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

Section 1. Background.

(a) The Board of Supervisors ("Board of Supervisors" or "Board") of the City and County of San Francisco ("City") desires to enter into a lease financing transaction to provide funds to (i) finance and refinance certain capital improvement projects within the City, including but not limited to certain capital projects contained in the City's capital plan and generally consisting of street resurfacing and curb ramp improvements (collectively, the "Project"); (ii) fund a debt service or other similar reserve for the Certificates, as appropriate; and (iii) pay costs of execution and delivery of the Certificates, for which the City is authorized pursuant to its charter ("Charter") and the laws of the State.

(b) The City and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee"), have previously entered into a Property Lease, dated as of May 1, 2009 ("Original Property Lease"), pursuant to which the City has leased certain real property and all improvements thereon, generally consisting of certain land and improvements comprising portions of the Laguna Honda Hospital campus within the City ("Laguna Honda Hospital"), owned by the City and located at 375 Laguna Honda Boulevard within the City (collectively, the "Prior Leased Property") to the Trustee.

(c) The Trustee and the City have previously entered into a Project Lease, dated as of May 1, 2009 ("Original Project Lease"), pursuant to which the Trustee has leased the Prior Leased Property back to the City.

(d) The City previously caused the execution and delivery of the City and County of San Francisco Certificates of Participation, Series 2009A (Multiple Capital Improvement Projects) ("2009A Certificates") pursuant to a Trust Agreement, dated as of May 1, 2009, by and between the City and the Trustee ("Original Trust Agreement").

(e) The Original Trust Agreement provides for the execution and delivery of additional certificates of participation by the execution and delivery of a supplement to the Original Trust Agreement (each, a "Supplement to Trust Agreement"), and authorizes the principal and interest with respect to said additional certificates of participation (each issuance thereof, "Additional Certificates") to be secured by a supplement to the Original Property Lease (each, a "Supplement to Property Lease") and to be paid from amounts paid by the City under a supplement to the Original Project Lease (each, a "Supplement to Project Lease").

(f) From time to time since the execution and delivery of the 2009A Certificates, the City has caused the execution and delivery of Additional Certificates (the 2009A Certificates and any Additional Certificates are herein referred to collectively as the "Prior Certificates") to finance or refinance various capital projects under the Original Trust Agreement pursuant to supplements of the Original Trust Agreement, which Prior Certificates were secured by amounts paid by the City under Supplements to Project Lease.

(g) Of the Prior Certificates, the City currently has seven (7) certificates of participation transactions outstanding, including its (i) Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects), (ii) Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects),

(iii) Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects), (iv) Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable), (v) Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt), (vi) Refunding Certificates of Participation, Series 2024-R1 (Multiple Capital Improvements) (Tax-Exempt), and (vii) Certificates of Participation, Series 2024A (Multiple Capital Improvement Projects) (collectively, "Outstanding Prior Certificates").

(h) The Outstanding Prior Certificates evidence, direct undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented.

(i) The Original Property Lease and the Original Project Lease provide that the City may (A) modify or amend the description of the property subject to the Original Property Lease and the Original Project Lease ("Leased Property" as further described in subsection (j) below) or (B) add, substitute, or release property from the Original Project Lease, as amended and supplemented, or add, substitute or release property from the Leased Property in either case pursuant to (1) one or more Supplements to Property Lease and (2) one or more Supplements to Project Lease.

(j) The Leased Property subject to the Original Property Lease, as previously supplemented, and subject to the Original Project Lease, as previously supplemented, currently consists of portions of the property located within the City at 375 Laguna Honda Boulevard, 1 South Van Ness Avenue, and the property located at 1 Moreland Drive, San Bruno, California.

(k) The Board desires to finance the Project and to cause the execution and delivery of one or more additional series of Additional Certificates (as further defined herein, the "Certificates") in an aggregate principal amount not-to-exceed $65,000,000.

(l) The Certificates will be executed and delivered from time to time in a tax-exempt and/or taxable basis, in one or more series, pursuant to one or more Supplements

to Trust Agreement, by and between the City and the Trustee, supplementing the Original Trust Agreement.

(m) In connection with the execution and delivery of the Certificates, the Board desires to cause the execution of (A) one or more Supplements to Trust Agreement, one or more Supplements to Property Lease, and one or more Supplements to Project Lease, as necessary, to (i) add to or release property from the Leased Property as may be necessary to execute the transaction contemplated hereby, (ii) provide for additional rental to be paid by the Trustee in connection with the financing of the Project and certain related matters and pursuant to which the City intends to lease to the Trustee the Leased Property, as previously supplemented and as further supplemented, (iii) provide for the leasing of the Leased Property back to the City, (iv) provide for additional Base Rental to be paid by the City in connection with the execution and delivery of the Certificates and the financing of the Project, and (v) provide for certain related matters, with such additional changes to the Supplement(s) to Trust Agreement, Supplement(s) to Property Lease and Supplement(s) to Project Lease as shall be determined by the Director of Public Finance; (B) a form of a purchase contract between the City and one or more initial purchasers of the Certificates ("Purchase Contract") in the event of a negotiated sale of the Certificates; (C) a Continuing Disclosure Certificate; and (D) certain other related documents.

(n) The Certificates, when executed and delivered, will evidence direct undivided interests in the lease payments made by the City under the Original Project Lease, as previously supplemented and amended and as supplemented and amended by the Supplement or Supplements to Project Lease, on a parity basis with the then-outstanding Outstanding Certificates and any Additional Certificates executed and delivered prior to or concurrently with the execution and delivery of the Certificates.

(o) The Board has been presented with the forms of certain documents and agreements referred to herein relating to the Certificates, and the Board has examined and

is approving each such document and agreement and desires to authorize the execution of such documents and agreements and the consummation of such financing.

(p) The Board has received from the City's Office of Public Finance and disclosed to the public certain good faith estimates, as required by Section 5852.1 of the California Government Code, regarding certain costs relating to, the net proceeds of, and the debt service cost of the proposed issuance of the Certificates, which estimated information has been provided by the City's municipal advisor, KNN Public Finance, LLC, and which estimated information is based upon prevailing market conditions that are subject to change prior to, on, or after the date of final adoption of this Ordinance.

(q) Upon the effectiveness of this Ordinance, all conditions, things, and acts required by law to exist, to happen, and to be performed precedent to and as a condition of the execution and delivery of the Supplement(s) to Property Lease, the Supplement(s) to Project Lease, the Supplement(s) to Trust Agreement, the Purchase Contract(s), the Continuing Disclosure Certificate, the Official Statement (as defined herein) and the Certificates will exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City shall be authorized pursuant to its Charter and other applicable law to execute and deliver each Supplement to Property Lease, each Supplement to Project Lease, the Purchase Contract(s), the Official Notice of Sale (as defined herein), the Continuing Disclosure Certificate, each Supplement to Trust Agreement and the Official Statement and to cause the execution and delivery of the Certificates in the manner and form provided in this Ordinance.

(r) The City has paid and expects to pay certain expenditures in connection with the Project to be financed by the Certificates prior to the execution and delivery of the Certificates, and the City intends to reimburse itself and to pay third parties for such prior expenditures from the proceeds of the Certificates.

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

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

(u) The adoption of this Ordinance constitutes authorization of the Certificates within the meaning of Section 864 of the California Code of Civil Procedure, as amended, and any Validation Act that is effective after this Ordinance takes effect. The Certificates executed and delivered pursuant to this Ordinance are subject to California Code of Civil Procedure, Section 860 et seq. In order to ensure the validity of the Certificates executed and delivered hereby, the City will proceed to sell the Certificates only after the sixty-day (60) period for actions to be brought pursuant to Section 863 of the California Code of Civil Procedure has expired.

Section 2. Findings and Determinations.

(a) Findings. The Board hereby finds and determines that the recitals set forth above in Section 1 are true and correct.

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

Section 3. File Documents. The documents presented to the Board and on file with the Clerk of the Board of Supervisors or the Clerk's designee (collectively, the "Clerk") are contained in File No. 250780.

Section 4. Authorization of the Certificates. The Board hereby authorizes and approves the execution and delivery of the Certificates in one or more series on a tax-exempt and/or taxable basis and on one or more delivery dates in accordance with the applicable Supplement to Trust Agreement. The proceeds of the Certificates will be used, together with other available funds of the City, to (i) finance and/or refinance the Project, including through the retirement of certain commercial paper notes of the City issued therefor; (ii) fund a debt service or other similar reserve, as appropriate; and (iii) pay costs of execution and delivery of the Certificates. The Certificates shall be designated as "City and County of San Francisco Certificates of Participation (Multiple Capital Improvement Projects)" with such other or additional designations as to series and sub-series, tax-exempt and/or taxable status, and the year of execution and delivery as determined by the Director of Public Finance or the Director's designee.

(a) Certain Terms of the Certificates. The Certificates shall evidence an aggregate principal amount of not-to-exceed Sixty-Five-Million Dollars ($65,000,000), and shall bear interest at a true interest cost not in excess of twelve percent (12%) per annum. The Certificates shall be subject to prepayment as set forth in the applicable Supplement to Project Lease and Supplement to Trust Agreement. The Director of Public Finance is hereby authorized, to the extent such officer deems it necessary or advisable and financially advantageous to the City, to procure credit enhancement for the Certificates, including but not limited to municipal bond insurance and/or a debt service reserve fund surety policy.

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

Section 5. Approval of the Supplement to Trust Agreement. The form of a Supplement to Trust Agreement between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City ("Mayor") or the City's Controller ("Controller") is hereby authorized, and each may select a designee who is authorized, to execute and deliver one or more Supplements to Trust Agreement in the form hereby approved, and the Clerk is hereby authorized to attest to and affix the seal of the City on such Supplement or Supplements to Trust Agreement, with such changes, additions, and modifications as the Mayor or the Controller may make or approve in accordance with Section 21 hereof.

Section 6. Approval of the Supplement to Property Lease. The form of a Supplement to Property Lease between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller (or designee of each) is hereby authorized and directed to execute and deliver one or more Supplements to Property Lease in the form hereby approved, and the Clerk is hereby authorized to attest to and affix the seal of the City on such Supplement or Supplements to Property Lease, with such changes, additions, and modifications as the Mayor or the Controller may make or approve in accordance with Section 21 hereof.

Section 7. Approval of the Supplement to Project Lease. The form of a Supplement to Project Lease between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk in File No. 250780, is hereby approved. The Mayor or the Controller (or designee of each) is hereby authorized and directed to execute and deliver one or more Supplements to Project Lease in the form hereby approved, and the Clerk is hereby authorized to attest to and affix the seal of the City on such Supplement or Supplements to Project Lease with such changes, additions, and modifications as the Mayor or Controller may make or approve in accordance with Section 21 hereof; provided, however, that the maximum Base Rental (as defined in the Project Lease) to be paid under such Supplement(s) to Project Lease in any fiscal year shall not exceed Eight-Million-Seven-Hundred-Thousand-Dollars ($8,700,000) and the term of any Supplement to Project Lease shall not extend beyond the thirtieth (30th) year following its date of execution, as such initial term may be extended in accordance with the Project Lease.

Section 8. Approval of the Leased Property and the Base Rental Payments. The Board hereby approves the leasing, pursuant to the terms of the Supplement to Property Lease and the Supplement to Project Lease, of all or a portion of the Leased Property, including as such Leased Property may be supplemented, as determined by the Director of Public Finance, pursuant to the applicable provisions of the Property Lease and the Project Lease. The Board also hereby approves the payment by the City of the Base Rental with respect thereto.

Section 9. Sale and Award of Certificates by Competitive Sale. In the event the Director of Public Finance determines to sell the Certificates by competitive sale, the Director of Public Finance, on behalf of the Controller, is hereby authorized and directed to receive bids for the purchase of the Certificates, and the Controller and the Director of Public Finance

are each hereby authorized and directed to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City, all in accordance with the procedures described in the Official Notice of Sale.

Section 10. Approval of Form of Official Notice of Sale. The form of an official notice of sale relating to the Certificates ("Official Notice of Sale"), as presented to this Board, a copy of which is on file with the Clerk, is hereby approved. The Controller or the Director of Public Finance is authorized to approve the distribution of an Official Notice of Sale for the Certificates, with such changes, additions, and modifications as such official may make or approve in accordance with Section 21 hereof.

Section 11. Approval of Notice of Intention to Sell Relating to the Certificates. The form of a notice of intention to sell relating to the Certificates ("Notice of Intention to Sell"), as presented to this Board, a copy of which is on file with the Clerk in File No. 250780 is hereby approved. The Controller or the Director of Public Finance is hereby authorized to approve the publication of the Notice of Intention to Sell relating to the Certificates, with such changes, additions, and modifications as such official may make or approve in accordance with Section 21 hereof.

Section 12. Sale of Certificates by Negotiated Sale. If the Controller or the Director of Public Finance determines to sell the Certificates by negotiated sale, the Controller or the Director of Public Finance is hereby authorized, and each may select a designee who is authorized, to sell the Certificates by negotiated sale pursuant to one or more Purchase Contracts by and between the City and the underwriter or underwriters named therein; provided, however, that the underwriters' discount under any such Purchase Contract shall

not exceed one-half of one percent (0.5%) of the principal amount of the Certificates. The form of Purchase Contract, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved.

Section 13. Authorization to Appoint Underwriters. To accomplish the sale of the Certificates by negotiated sale, if applicable, the Controller or the Director of Public Finance is hereby authorized to appoint one or more financial institutions to act as underwriter(s) for the Certificates in accordance with City policies and procedures, including but not limited to the City's policy to provide locally disadvantaged business enterprises an equal opportunity to participate in the performance of all City contracts; provided that the underwriter(s)' discount shall not exceed one-half of one percent (0.5%) of the principal amount of the Certificates.

Section 14. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Certificates ("Official Statement"), as presented to this Board, a copy of which is on file in preliminary form with the Clerk in File No. 250780, is hereby approved. The Controller is hereby authorized to approve the preliminary Official Statement in substantially said form, with such changes, additions, modifications (including but not limited to the inclusion of the most current City financial information) or deletions as such official may make or approve in accordance with Section 21 hereof, and to deem the preliminary Official Statement final for purposes of the Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, to execute, and to designate the Director of Public Finance to execute in the Controller's stead, a certificate to that effect, and to cause the preliminary Official Statement to be delivered, in printed or electronic form, to potential purchasers of the Certificates, such approval to be conclusively evidenced by the delivery of

said deemed-final certificate. The Controller is hereby further authorized and directed to sign and deliver the Official Statement in final form to purchasers of the Certificates.

Section 15. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate of the City relating to the Certificates, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Controller or the Director of Public Finance is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions, modifications, or deletions as the Controller or the Director of Public Finance may approve upon consultation with the City Attorney; such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate.

Section 16. Sale and Award of Certificates by Direct Placement. In the event the Director of Public Finance determines to sell the Certificates by direct placement, the Director of Public Finance, on behalf of the Controller, is hereby authorized and directed to receive bids for the purchase of the Certificates, and the Controller is hereby authorized and directed to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City.

Section 17. Authorization to Appoint Placement Agents. To accomplish the sale of the Certificates by direct placement, if applicable, the Controller or the Director of Public Finance is hereby authorized to appoint one or more financial institutions to act as placement agent(s) for the Certificates in accordance with City policies and procedures, including but not limited to the City's policy to provide locally disadvantaged business enterprises an equal opportunity to participate in the performance of all City contracts.

Section 18. Reimbursement. The City declares its official intent to reimburse prior expenditures of the City incurred prior to the execution and delivery of the Certificates in connection with the Project or portions thereof with the proceeds of the Certificates. The Board of Supervisors declares the City's intent to reimburse the City with the proceeds of the Certificates for the expenditures with respect to the Project ("Expenditures" and each, an "Expenditure") made on and after that date that is no more than sixty (60) days prior to enactment of this Ordinance. The City reasonably expects on the date of adoption of this Ordinance that it will reimburse the Expenditures with the proceeds of the Certificates.

Section 19. Terms of Reimbursement. Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of execution and delivery with respect to the Certificates, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum aggregate principal amount of the Certificates expected to be executed and delivered for the Project is $65,000,000. The City shall make a reimbursement allocation, which is a written allocation by the City that evidences the City's use of proceeds of the Certificates to reimburse an Expenditure, no later than eighteen (18) months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three (3) years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain "preliminary expenditures," costs of execution and delivery, certain de minimis amounts, expenditures by "small issuers" (based on the year of execution and delivery and not the year of expenditure) and expenditures for construction projects of at least five (5) years.

Section 20. General Authority. The Mayor, the Treasurer, the City Attorney, the Controller, the City Administrator, the Director of Public Finance, the Clerk, and other officers of the City and their duly authorized deputies, designees, and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests, or other documents as they may deem necessary or desirable to accomplish the purposes of this Ordinance, including but not limited to the execution and delivery of any Supplement to Property Lease, any Supplement to Project Lease, any Supplement to Trust Agreement, the Official Statement, one or more Purchase Contracts, the Continuing Disclosure Certificate and the Certificates, to obtain bond insurance or other credit enhancements and/or a surety policy with respect to the Certificates, to obtain title insurance, to clear any encumbrances to title and to carry out other title work. Any such actions are solely intended to further the purposes of this Ordinance and are subject in all respects to the terms of this Ordinance. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk for inclusion in the official file within thirty (30) days of execution (or as soon thereafter as final documents are available) by all parties.

Section 21. Modifications, Changes, and Additions. The Mayor, the Treasurer, the Controller, and the Director of Public Finance each are hereby authorized, and each may select a designee who is authorized, to make such modifications, changes, and additions to the documents and agreements approved hereby, upon consultation with the City Attorney, as may be necessary or desirable and in the interests of the City, and which changes do not materially increase the City's obligations or reduce its rights thereunder or hereunder. The respective official's approval of such modifications, changes, and additions shall be

conclusively evidenced by the execution and delivery by such official and the Clerk of the applicable Supplement to Property Lease, Supplement to Project Lease, and Supplement to Trust Agreement, one or more Purchase Contracts or any of the other documents approved in this Ordinance. Any such actions are solely intended to further the purposes of this Ordinance and are subject in all respects to the terms of this Ordinance. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk for inclusion in the official file within 30 days (or as soon thereafter as final documents are available) of execution by all parties.

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

Section 23. Ratification of Prior Actions. All actions authorized consistent with any documents presented herein and approved by this Ordinance but heretofore taken are hereby ratified, approved, and confirmed by the Board.

Section 24. Effective Date. This Ordinance shall take effect immediately.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

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

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FILE NO. 250780

# LEGISLATIVE DIGEST

[Authorizing Tax-Exempt and/or Taxable Certificates of Participation - Multiple Capital Improvement Projects - Not to Exceed $65,000,000]

**Ordinance authorizing the execution and delivery from time to time of tax-exempt or taxable Certificates of Participation, in one or more series, evidencing and representing an aggregate principal amount of not to exceed $65,000,000 ("Certificates"), to finance and refinance certain capital improvement projects within the City and County of San Francisco's ("City") contained in the Capital Plan and generally consisting of street resurfacing and curb ramp improvements; approving the form of a Supplement to Trust Agreement between the City and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee") (including certain indemnities contained therein); approving respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and the Trustee, for the lease to the Trustee and lease back to the City of all or a portion of certain real property and improvements owned by the City, together with any other property determined by the City's Director of Public Finance to be made subject to the lease and lease back arrangements; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates; approving the form of an Official Statement in preliminary and final form; approving the form of a purchase contract between the City and one or more initial purchasers of the Certificates; approving the form of a Continuing Disclosure Certificate, as defined herein; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of the Certificates, as defined herein; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.**

## Existing Law

This is new legislation.

## Background Information

The proposed Ordinance authorizes the execution and delivery from time to time of Tax-Exempt or Taxable Certificates of Participation (Multiple Capital Improvement Projects) ("Certificates"). The proceeds of the Certificates will be used, together with other available funds of the City, to (i) finance and refinance certain capital improvement projects within the City, including but not limited to certain capital projects contained in the City's capital plan and generally consisting of street resurfacing and curb ramp improvements (collectively, the "Project"); (ii) fund a debt service or other similar reserve for the Certificates, as appropriate; and (iii) pay costs of execution and delivery of the Certificates.

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The Certificates will be executed and delivered in one or more series, from time to time, pursuant to one or more supplements to the Original Trust Agreement, dated May 1, 2009 (each, a "Supplement to Trust Agreement"), by and between the City and the Trustee, supplementing the Original Trust Agreement.

The proposed Ordinance also approves the execution of one or more supplements to the Project Lease ("Original Project Lease"), dated May 1, 2009 (each, a "Supplement to Project Lease"), supplementing and amending the Project Lease to provide for (i) the additional or adjusted Base Rental to be paid by the City in connection with the issuance of the Certificates (provided such amount does not exceed $8,700,000 per annum), and (ii) certain other related matters as determined by the Director of Public Finance.

The Leased Property subject to the Original Property Lease, dated May 1, 2009, between the City and the Trustee, and subject to the Original Project Lease, as previously supplemented, currently consists of portions of the property located within the City at 375 Laguna Honda Boulevard, 1 South Van Ness Avenue, and the property located at 1 Moreland Drive, San Bruno, California. The proposed Ordinance authorizes the Mayor the Controller to add to or release property from the Leased Property as may be necessary to execute the transaction.

The Certificates will be secured by lease payments made by the City under the Original Project Lease.

The proposed Ordinance authorizes the Controller or the Director of Public Finance to sell the Certificates by competitive sale or negotiated sale. If sold by competitive sale, the Certificates will be awarded to the bidder whose bid constitutes the lowest true interest cost to the City. In the alternative, the proposed Ordinance also authorizes the Director of Public Finance to sell the Certificates on a negotiated sale basis, provided the compensation to the selected underwriter cannot exceed (0.5%) of the principal amount of the Certificates.

The proposed Ordinance also approves forms of standard sale documents: the Preliminary Official Statement (including Appendix A (i.e. the City's demographic and financial information)), Purchase Contract, Notice of Intention to Sell, Official Notice of Sale, the Continuing Disclosure Certificate.

| Item 3<br>File 24-0780 | Department:<br>Controller, City Administrator |
|---|---|

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed ordinance would authorize the sale of up to $65,000,000 in Certificates of Participation (COPs) and approve documents associated with the transaction.

### Key Points

- The City's ten-year capital plan is updated every two years. The Capital Plan for FY 2026-2035, as recommended by the Capital Planning Committee, provides for $541.5 million of COPs over the ten-year term, including $50.0 million over FY 2025-26 – FY 2026-27 for street resurfacing and curb replacement.
- The adopted budget for FY 2025-26 – FY 2026-27 appropriated proceeds for the proposed COPs to fund street resurfacing and curb ramp replacement project costs as well as COP transaction costs.

### Fiscal Impact

- According to the Office of Public Finance, estimated average annual debt service for the proposed debt is $5.5 million. Total debt service over the anticipated 20-year term is approximately $110.7 million, with a true interest cost of 6.84 percent. Debt service will be paid from the City's General Fund.
- The proposed debt is consistent with the City's financial policies.

### Policy Consideration

- The FY 2025-26 – FY 2026-27 budget for street resurfacing, including the proposed COPs, is approximately 25 percent less than the amount necessary to maintain a pavement condition index (PCI) score of 75, which his considered "good." According to Public Works, without increased investments by FY 2026-27, the citywide PCI score is at risk of decreasing in subsequent years, which will increase street maintenance costs. Similarly, the amount budgeted for curb replacement is approximately 37 less than the amount recommended by the City's Capital Plan to ensure sidewalks are accessible to people with disabilities. Absent an increase in General Fund revenues above current projections, increasing funding for street resurfacing would require reordering the Capital Plan and defunding planned projects and/or reallocating General Fund appropriations from other budgeted uses.
- Street resurfacing is most appropriately covered by the General Fund (and other ongoing sources of funding) because it is a regular, on-going expense. However, due to constraints on the General Fund, the City has turned to COP debt to maintain street resurfacing funding. This is more expensive over the long term due to due to issuance and financing costs.

### Recommendation

- Approve the proposed ordinance.

## 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 general fund appropriation debt does not exceed 3.25 percent 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 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

## BACKGROUND

### Ten-Year Capital Plan

The City's ten-year capital plan is updated every two years. The Capital Plan for FY 2026-2035 provides for $487 million of new Certificates of Participation debt (COPs) over the ten-year term, for the relocation of HSA offices, Treasure Island infrastructure, Hall of Justice replacement space, and previously authorized projects. The City's financial policies constrain the use of COPs debt by limiting debt service to 3.25 percent of General Fund discretionary revenues. While the City's capacity to authorize new COP debt outside the Capital Plan is largely constrained by this requirement, in May 2025, after the adoption of the Capital Plan and following a review of projected discretionary revenues in the March Update to the Five Year Plan and actual financing results from recently issued COPs, the Controller's Office identified $54.5 million in additional COP capacity, which increases the total COP capacity from $487 million to $541.5 million over the ten-year FY 2026-2035 capital planning horizon. In May 2025, the Capital Planning Committee recommended using $50 million of this additional COP capacity for street repaving ($46 million) and curb replacement ($4 million) for FY 2025-26 and FY 2026-27. The appropriation of those funds is included in the FY 2025-26 – FY 2026-27 budget & appropriation ordinance.

### Prior Authorizations

In 2022, 2023, and 2024, the Board of Supervisors approved COPs for various capital projects, including street resurfacing. Exhibit 1 shows the COP authorizations, related commercial paper (interim financing) issued, and the amounts dedicated to street resurfacing.

**Exhibit 1: Certificate of Participation Debt for Street Resurfacing (as of April 2025)**

| File | Project | Authorized for Street Resurfacing | Commercial Paper Issued | COP Issued | Disbursed to DPW |
|---|---|---|---|---|---|
| 22-0683 | FY 2022-23 Street Resurfacing | $30,000,000 | $0 | $30,000,000 | $21,653,473 |
| 23-0833 | FY 2023-24 Street Resurfacing | 32,800,000 | 18,074,784 | 0 | 18,074,784 |
| 24-0784 | FY 2024-25 Street Resurfacing | 23,865,217 | 0 | 0 | 0 |
| **Total** | | **86,665,217** | **18,074,784** | **30,000,000** | **39,728,257** |

Source: Office of Public Finance

As shown above, $86.7 million of COP debt has been authorized for street resurfacing between 2022 and 2024. Capital projects with authorized COPs funding are often initially funded with short-term commercial paper, later paid down by longer-term COP debt. The Office of Public Finance will issue COPs when staff are certain that project funds will be spent within three years of issuance. Of the $86.7 million approved COPs for street resurfacing, $39.8 million had been disbursed to DPW as of April 2025.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- authorize sale of up to $65,000,000 of Certificates of Participation in one more series on a tax or tax-exempt basis
- authorize use of the proceeds to pay for issuance costs, capital project costs, retire related commercial paper, and fund a debt service reserve.
- authorize a competitive, negotiated, or direct placement sale for the COPs
- authorize the Director of Public Finance to appoint underwriters for a negotiated sale, appoint a placement agent for a direct placement or award a bid to a bidder with the lowest true interest cost for a competitive sale
- approve the form of the Supplement to the Trust Agreement between the City and U.S. Bank National Association, as Trustee
- approve the form of the Supplement to the Property Lease between the City and U.S. Bank National Association
- approve the Supplement to the Project Lease for Laguna Honda Hospital, One South Van Ness, and County Jail Complex for additional base rent
- approve the form of the preliminary and final Official Statement

- approve the form of the Official Notice of Sale document, Notice of Intention to Sell the COPs document
- approve the form of the Continuing Disclosure Certificate
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to modify the aforementioned documents in furtherance of the COPs sale

**FY 2025-26 – FY 2026-27 COPs Issuance**

*Supplement to Property and Project Leases, and Trust Agreement*

COPs are structured as a lease-lease back, in which the City leases the City-owned property to a trustee and the trustee leases back the property to the City. The City's lease payments to the trustee are equal to the debt service due to COP holders and made semi-annually. The City would enter into the one or more Supplements to existing Property and Project Leases and Trust Agreement with U.S. Bank National Association, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard, One South Van Ness at 1 South Van Ness Avenue, and the San Bruno Jail Complex at 1 Moreland Drive in San Bruno would serve as the leased property to secure the proposed COPs. The City may add or substitute properties to the Master Lease as needed.

*Commercial Paper*

Under separate legislative approval, the City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay related commercial debt obligations. According to the Office of Public Finance memo, of the $250 million in commercial paper authority, $111 million has been released from Controller's Reserve and $44 million is outstanding as of July 22, 2025.

*Method of Sale*

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive, negotiated, or direct placement based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City's Underwriting Pool, which was selected via a competitive process.

**Projects and Uses of Proceeds**

The proposed COPs adds $23 million for street resurfacing and $2 million for curb replacement in both FY 2025-26 and FY 2026-27. As noted above, the proposed COPs are not part of the Ten Year FY 2026-2033 Capital Plan approved by the Board of Supervisors (File 25-0450) but were recommended to the Board of Supervisors by the Capital Planning Committee in May 2025.

Exhibit 2 below shows the sources and uses of the COPs proceeds.

**Exhibit 2: Budgeted Sources and Uses of COPs Proceeds, FY 2025-26 & FY 2026-27**

| **Sources** | **Amount** |
|---|---|
| COP Proceeds | 65,000,000 |
| **Uses** | **Amount** |
| Project Funds | |
| Street Resurfacing | 46,000,000 |
| Curb Ramps | 4,000,000 |
| Subtotal, Project Funds | 50,000,000 |
| City Services Auditor | 100,000 |
| Capitalized Interest | 2,095,800 |
| Debt Service Reserve Fund | 5,658,000 |
| Cost of Issuance | 1,607,040 |
| Underwriters Discount | 419,160 |
| Reserve of Market Uncertainty | 5,120,000 |
| **Total Uses** | **65,000,000** |

Source: Office of Public Finance

## FISCAL IMPACT

### Debt Service

According to the Office of Public Finance memo, estimated average annual debt service on the proposed COPs is approximately $5.5 million. Total debt service over the anticipated 20-year term is approximately $110.7 million, which includes approximately $58.7 million in principal and $52 million in interest and true interest cost of 6.84 percent. The debt will be issued in the second half of 2026 and debt service will be paid from the City's General Fund. The estimates assume the debt is tax-exempt.

The FY 2025-26 – FY 2026-27 budget appropriated the proceeds of the proposed COPs.

### City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues.[1] According to the projections provided by the Controller's Office, debt service from the proposed COPs as well as planned COPs through FY 2034-35 will be below that cap.

[1] This limit only applies to General Fund lease financings that are not offset by other revenues according to Office of Public Finance staff.

## POLICY CONSIDERATION

**Street Resurfacing Program**

The Department of Public Works is responsible for maintaining approximately 940 miles of streets. Resurfacing the streets regularly helps to maintain the quality of the streets and reduces maintenance costs over time. Public Works measures the success of the street resurfacing program by two metrics: (1) resurfacing at least 500 street blocks each year and (2) maintaining a citywide average Pavement Condition Index (PCI) of 75, which is considered "good." The Department of Works reports it repaved 561 street blocks in FY 2024-25 and 506 blocks in FY 2023-24, exceeding the annual 500 block goal. According to the Controller's Performance Scorecard, the City's PCI was 74 in 2023 and PCI 75 in 2024, up from 63 ("at risk") in 2009. The improvement in street condition is partially due to the 2011 Road Repaving and Street Safety Bond Program, totaling $248 million.[2]

According to the Adopted Capital Plan, to maintain a PCI of 75, the City should spend $1.1 billion over the next 10 years including $88 million in FY 2025-26 and $93 million in FY 2026-27. On-going sources for street resurfacing include State gas tax revenue, State vehicle tax revenue, and the General Fund. According to prior discussions with Office of Resilience and Capital Planning staff, street resurfacing is most appropriately covered by the General Fund because it is a regular, on-going expense. However, due to constraints on the General Fund, the City has turned to COP debt to maintain street resurfacing funding. This is more expensive over the long term due to due to issuance and financing costs.

Exhibit 3 below summarizes the budgeted funding for the City's street resurfacing program, including the proposed COPs.

**Exhibit 3: Street Resurfacing Program Budget**

| Funding Source | FY 2024-25 | FY 2025-26 | FY 2026-27 |
|---|---|---|---|
| State Gas & Vehicle Taxes | 31,350,000 | 32,761,000 | 33,000,000 |
| State Highway Gas Tax Funding | 10,945,000 | 10,890,000 | 10,900,000 |
| Certificates of Participation | 23,865,217 | 23,000,000 | 23,000,000 |
| **Total** | **66,160,217** | **66,651,000** | **66,900,000** |

Source: FY 2025-26 – FY 2026-27 Budget & Appropriation Ordinance

As shown above, the FY 2025-26 – FY 2026-27 budget increases the total street resurfacing budget slightly, from $66.2 million in FY 2024-25 to $66.6 million in FY 2025-26 and $66.9 million in FY 2026-27. As in FY 2024-25, General Fund pay-go funding was replaced with COPs and the City continued to rely on state revenues for approximately half of the program budget in FY 2025-26 and FY 2026-27. The budgeted funding is less than the $88 million and $93 million assumed in Capital Plan for FY 2025-26 and FY 2026-27, respectively. According to Public Works, without

[2] The final bond sale for the 2011 Road Repaving and Street Safety Bond Program was completed in 2016.

increased investments by FY 2026-27, the citywide PCI score is at risk of decreasing in subsequent years, which will increase street maintenance costs. The Capital Plan does not include any more debt for street resurfacing through FY 2034-25.

Exhibit 4 below shows DPW's curb ramp replacing program funding. The FY 2025-26 – FY 2026-27 budget maintains the $4 million annual budget but shifts $2 million from the General Fund to COPs. This level of funding is less than the amounts recommended by the FY 2026-2035 Capital Plan, which recommended $8.5 million in FY 2025-26 and $8.9 million in FY 2026-27 for curb ramp replacement program to ensure sidewalks remain accessible to people with disabilities.

**Exhibit 4: Curb Ramp Replacement Funding**

| Funding Source | FY 2024-25 | FY 2025-26 | FY 2026-27 |
|---|---|---|---|
| Certificates of Participation | 0 | 2,000,000 | 2,000,000 |
| General Fund | 4,000,000 | 2,000,000 | 2,000,000 |
| **Total** | **4,000,000** | **4,000,000** | **4,000,000** |

Source: FY 2025-26 – FY 2026-27 Budget & Appropriation Ordinance

Absent an increase in General Fund revenues above what is currently projected for the next five years, increasing funding for street resurfacing and/or curb ramp replacement would require reordering the Capital Plan and defunding planned projects and/or reallocating General Fund appropriations from other budgeted uses.

## RECOMMENDATION

Approve the proposed ordinance.

# [nTH] SUPPLEMENT TO TRUST AGREEMENT

**by and between the**

**CITY AND COUNTY OF SAN FRANCISCO**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**
**as Trustee**

**Dated as of [MONTH] 1, 202[_]**

**Relating to:**

**$65,000,000**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION, SERIES 202[_]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

## [nTH] SUPPLEMENT TO TRUST AGREEMENT

THIS [nTH] SUPPLEMENT TO TRUST AGREEMENT, dated as of [MONTH] 1, 202[_] (this "[Nth] 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 TRUST COMPANY, NATIONAL ASSOCIATION (as successor-in-interest to U.S. Bank National Association), a national banking association, as Trustee (the "Trustee");

W I T N E S S E T H:

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 leased certain real property of the City and all works, property, improvements, structures and fixtures thereon (collectively, the "Original 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 leased the Original 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 in the City, 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 Original Trust Agreement provides for the execution and delivery of additional certificates of participation by the execution and delivery of a supplement to the Original Trust Agreement (each, a "Supplement to Trust Agreement"), and authorizes the principal and interest with respect to said additional certificates of participation (each issuance thereof, "Additional Certificates") to be secured by a supplement to the Original Property Lease (each, a "Supplement to Property Lease") and to be paid from amounts paid by the City under a supplement to the Original Project Lease (each, a "Supplement to Project Lease");

WHEREAS, from time to time since the execution and delivery of the 2009A Certificates, the City has caused the execution and delivery of additional series of Additional Certificates (collectively, "Prior Certificates") to finance or refinance various capital projects under the Original Trust Agreement pursuant to Supplements to Trust Agreement, which Prior Certificates were paid from amounts paid by the City under Supplements to Project Lease;

WHEREAS, of the Prior Certificates, the City currently has seven (7) certificates of participation transactions outstanding, including its (i) Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects), (ii) Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects), (iii) Certificates of

Participation, Series 2021A (Multiple Capital Improvement Projects), (iv) Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable), (v) Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt), (vi) Refunding Certificates of Participation, Series 2024-R1 (Multiple Capital Improvements) (Tax-Exempt) and (vii) Certificates of Participation, Series 2024A (Multiple Capital Improvement Projects) (collectively, "Outstanding Certificates");

WHEREAS, the Prior Certificates evidenced, and the Outstanding Certificates evidence, direct, undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented;

WHEREAS, the Original Property Lease and the Original Project Lease provide that the City may (A) modify or amend the description of the property subject to the Original Property Lease and the Original Project Lease (the "Leased Property") or (B) add, substitute or release property from the Original Project Lease, as amended and supplemented, or add, substitute or release property from the Leased Property pursuant to (1) one or more Supplements to Property Lease and (2) one or more Supplements to Project Lease (collectively, the "Leased Property Amendment Provisions");

WHEREAS, the Leased Property subject to the Original Property Lease, as previously supplemented, and subject to the Original Project Lease, as previously supplemented, currently consists of portions of the property located at 375 Laguna Honda Boulevard within the City, the property located at 1 South Van Ness Avenue within the City and the property located at 1 Moreland Drive, San Bruno, California;

WHEREAS, the City desires to provide funds to [(i)] finance and refinance certain capital improvement projects within the City's capital plan and generally consisting of street resurfacing and curb ramp improvements[; and (ii) retire certain commercial paper notes of the City issued for such purposes] ([collectively,] the "202[_]Project");

WHEREAS, in order to provide funds for the 202[_] Project, the Trustee is executing and delivering a series of certificates of participation captioned "$65,000,000 City and County of San Francisco Certificates of Participation, Series 202[_] (Multiple Capital Improvement Projects)" (the "202[_] Certificates") under this [Nth] Supplement to Trust Agreement;

WHEREAS, a portion of the proceeds of the 202[_] Certificates were authorized to be used by the City to fund a debt service or other similar reserve account for the 202[_] Certificates, as appropriate, and to pay the costs of execution and delivery of the 202[_] Certificates;

WHEREAS, in connection with the execution and delivery of the 202[_] Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee are entering into a [Nth] Supplement to Property Lease, dated as of [MONTH] 1, 202[_] (the "[Nth] Supplement to Property Lease"), supplementing and amending the Original Property Lease, as previously supplemented, [IF NEEDED: (i) to supplement the existing Leased Property, pursuant to the Leased Property Amendment Provisions), by the addition of [describe additional Leased Property] (collectively, the "Additional Leased Property" and, together with the existing Leased Property, the " Leased Property"), (ii)] to provide for the lease of the Leased Property by the City to the

Trustee and [(iii)] to provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the 202[_] 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 a [Nth] Supplement to Project Lease, dated as of [MONTH] 1, 202[_], by and between the City and the Trustee (the "[Nth] Supplement to Project Lease"), supplementing and amending the Original Project Lease, as previously supplemented, [IF NEEDED: (i) to supplement the existing Leased Property, pursuant to the Leased Property Amendment Provisions, by the addition of the Additional Leased Property, [(ii)] to provide for the lease of the Leased Property by the Trustee to the City and [(iii)]] to provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 202[_] Project and certain related matters;

WHEREAS, the 202[_] 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 Supplements to Project Lease on a parity basis with the Outstanding Certificates [and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates]; [and]

[DETERMINE IF NEEDED: WHEREAS, the City and the Trustee also desire by this [Nth] Supplement to Trust Agreement to amend certain provisions of the Original Trust Agreement to [cure an ambiguity and to] make certain modifications that that do not adversely affect the interests of any of the Owners of the Outstanding Certificates [and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] 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 terms set forth in the recitals of this [Nth] Supplement to Trust Agreement are incorporated by reference into this Section 1. [Add Exhibit as needed: The defined term "Project" shall be deemed to include the 202[_] Project as described in Exhibit B hereto.] The following additional capitalized terms used herein are hereby defined as follows:

["202[_][A] CP Notes" [CONFIRM: means the notes of the City captioned "City and County of San Francisco [Taxable] Lease Revenue Commercial Paper Certificates of Participation, Series 1 and Series 2" issued by the City to finance a portion of the 202[_] Project under that certain Delivery and Paying Agent Agreement dated as of [MONTH] 1, 202[_], by and between the City and U.S. Bank Trust Company, National Association, as issuing and paying agent].]

"202[_] Certificates" means the certificates of participation captioned "City and County of San Francisco Certificates of Participation, Series 202[_] (Multiple Capital Improvement Projects)" authorized hereby and outstanding at any time under the Original Trust Agreement, as supplemented.

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

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

["202[_] 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 202[_] Certificates as a series of Additional Certificates to the original purchaser or purchasers thereof. The 202[_] Certificates shall be designated as "City and County of San Francisco Certificates of Participation, Series 202[_] (Multiple Capital Improvement Projects)" which shall be executed and delivered in the aggregate principal amount of $65,000,000. Each 202[_] Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The 202[_] Certificates shall be dated [DATE], 202[_]. The 202[_] 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 202[_] 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 Certificates [and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates].

The 202[_] 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:

| ***Certificate Payment Date ([April] 1)*** | ***Principal Amount*** | ***Interest Rate*** |
|---|---|---|

† Term Certificates

The interest evidenced and represented by the 202[_] Certificates shall be payable on each Interest Payment Date, beginning on [__] 1, 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 202[_] 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 202[_] Certificates with a Certificate Payment Date of [April] 1, 20[__] and [April] 1, 20[__] shall be subject to mandatory sinking account installment prepayment as set forth in Section 6(B) hereof.

**Section 3. Application of Sale Proceeds of the 202[_] Certificates**. Upon the Closing Date with respect to the 202[_] Certificates, an amount of proceeds from the sale thereof equal to $[NET SALE PRICE] (calculated as the principal amount represented by the 202[_] Certificates ($[___]), [plus/less] a [net/aggregate] original issue [premium/discount] of $[___][, less a[n underwriter's][purchaser's] discount of $[___]]), shall be delivered to the Trustee and deposited by the Trustee as follows:

(a) The Trustee shall deposit into the 202[_] Costs of Issuance Account the sum of $[___]. Such amount shall be held in the 202[_] Costs of Issuance Account separate from any other moneys in the Costs of Issuance Fund.

(b) The Trustee shall deposit into the 202[_] Reserve Account in the Reserve Fund the sum of $[___] representing the Reserve Requirement as applicable to the 202[_] Certificates only as of the Closing Date. The 202[_] Reserve Account shall only be available for payments with respect to the 202[_] Certificates.

(c) The Trustee shall deposit into the 202[_] Capitalized Interest Account within the Base Rental Fund the sum of $[___], representing capitalized interest with respect to the 202[_] Certificates. The 202[_] Capitalized Interest Account is hereby established to be held by the Trustee hereunder. Amounts on deposit in the 202[_] Capitalized Interest Account shall be applied to the Base Rental payments allocable to the 202[_] Certificates as described in the schedule below. Any amounts on deposit after [MONTH] 1, 20[__], in the 202[_] Capitalized Interest Account, representing interest earnings, shall be expended on Base Rental allocable to the 202[_] Certificates on the next available Base Rental payment date.

| Payment | Date |
|---|---|
| $ | [Month] 1, 20[__] |
| | [Month] 1, 20[__] |
| | [Month] 1, 20[__] |

(d) The Trustee shall deposit into the 202[_] Project Account the sum of $[___]. Such amount shall be held in the 202[_] Project Account separate from any other moneys in the Project Fund and applied to fund costs of the 202[_] Project in accordance with Section 5 below.

(e) [The Trustee shall deposit into the 202[_][A] Refunding Account the sum of $[__]. Such amount shall be applied to repay the outstanding 202[_][A] CP Notes in accordance with Section 5(b) below.]

**Section 4. Establishment and Application of 202[_] Costs of Issuance Account**. There is hereby established in trust a special account designated as the "202[_] 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 202[_] Costs of Issuance Account that portion of the proceeds of the 202[_] Certificates required to be deposited therein pursuant to Section 3 hereof. The Trustee shall disburse money from the 202[_] Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance with respect to the 202[_] 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 202[_] 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 202[_] Certificates have been paid or the date twelve (12) months from the Closing Date shall be transferred by the Trustee to the 202[_] Project Account or such other fund or account that has been approved in writing by a City Representative, and the 202[_] Costs of Issuance Account shall then be closed.

**Section 5. Establishment and Application of 202[_] Project Account[ and 202[_][A] Refunding Fund]**.

(a) 202[_] Project Account. There is hereby established in trust a special account designated as the "202[_] 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 202[_] Project Account to pay Project Costs with respect to the 202[_] 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 202[_] Project or for the use or application of money properly disbursed pursuant to requests made under this Section 5.

If, after payment by the Trustee of all requisitions theretofore tendered to the Trustee under the provisions of this Section 5, and delivery to the Trustee of a Written Certificate of the City to the effect that all Project Costs with respect to the 202[_] Project have been paid and that the 202[_] Project has been substantially completed in the form of Exhibit D to the Original Trust Agreement, there remains any balance of money in the 202[_] 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 [Nth] 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 202[_] 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 202[_] 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) 202[_][A] Refunding Fund. The Trustee shall establish, maintain and hold hereunder a separate fund known as the "202[_][A] 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 202[_][A] Refunding Fund shall be held by the Trustee in trust and transferred by the Trustee to U.S. Bank Trust Company, National Association, as issuing and paying agent (the "Issuing and Paying Agent") with respect to the 202[_][A] CP Notes, in connection with the repayment of the outstanding 202[_][A] 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 202[_][A] Refunding Account following such application of moneys shall be transferred to the 202[_] Project Account, whereupon the 202[_][A] Refunding Account shall be closed.]

**Section 6. [[No] 202[_] Reserve Requirement**. The Reserve Requirement for the 202[_] Certificates shall be [_____ dollars ($____)][zero dollars ($0.00)][ and shall be deposited to the hereby created 202[_] Reserve Account]. Amounts on deposit in other accounts of the Reserve Fund, including without limitation the 2021A Reserve Account therein, shall not be available to support payments with respect to the 202[_] Certificates, and amounts on deposit in the 202[_] Reserve Account in the Reserve Fund shall not be available to support payments with respect to the Outstanding Certificates [or any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[_] Certificates].]

**Section 7. Prepayment of 202[_] Certificates**. The 202[_] Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment of 202[_] Certificates. The 202[_] 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 a [Prepayment Price equal to 100% of the principal amount represented by the 202[_] Certificates 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 prepayment 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. As provided in the Original Trust Agreement, the City may direct the Trustee to provide a conditional notice of prepayment of the 202[_] Certificates identified in such notice, and such notice shall specify its conditional status.

(b) Sinking Account Installment Prepayment of 202[_] Certificates. The 202[_] 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 202[_] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| ***Prepayment Date*** <br> ***([April] 1)*** | ***Sinking Account*** <br> ***Installment Amount*** |
|---|---|

The 202[_] 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 202[_] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| ***Prepayment Date*** <br> ***([April] 1)*** | ***Sinking Account*** <br> ***Installment Amount*** |
|---|---|

(c) Special Prepayment of 202[_] Certificates. The 202[_] 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 Outstanding Certificates.

**Section 8. 202[_] Rebate Account**. There is hereby established within the Rebate Fund a special account designated the "202[_] 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 202[_] 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 202[_] Rebate Account. Amounts on deposit in the 202[_] 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 [Nth] 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 Supplements 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 Supplements to Trust Agreement.

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

**Section 11. Counterparts**. This [Nth] 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 [Nth] Supplement to Trust Agreement as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
[Controller][Mayor]

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM BY:

DAVID CHIU,
CITY ATTORNEY

By: _____
Deputy City Attorney

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

*[Signature page to [Nth] Supplement to Trust Agreement –*
*City and County of San Francisco Certificates of Participation Series 202[_]]*

$65,000,000 City and County of San Francisco
Certificates of Participation, Series 202[_]
(Multiple Capital Improvement Projects)

**EXHIBIT A**

**FORM OF CERTIFICATE OF PARTICIPATION**

**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATE OF PARTICIPATION, SERIES 202[_]**
**(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**

**No. __**

| ***Certificate Payment Date*** | ***Interest Rate*** | ***Original Certificate Date*** | ***CUSIP*** |
|---|---|---|---|
| [April] 1, 20___ | | _____, 202[_] | |

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 an [Nth] Supplement to Project Lease dated as of [Month] 1, 202[_] (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 Trust Company, 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") 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 [Nth] Supplement to Trust Agreement dated as of [MONTH] 1, 202[_] (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 202[_] (Multiple Capital Improvement Projects) in the aggregate principal amount of $65,000,000. 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 TRUST COMPANY,
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 altercation or enlargement or any change whatsoever.

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

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

375 Laguna Honda Blvd. – Lot 007, Block 2842 (a portion)
1 South Van Ness Ave. – Lot 001, Block 3506

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**[nTH] SUPPLEMENT TO PROPERTY LEASE**

**by and between the**

**THE CITY AND COUNTY OF SAN FRANCISCO,**
**as Lessor**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**
**as Lessee**

**Dated as of [MONTH] 1, 202[_]**

**Relating to:**

**$65,000,000**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION, SERIES 202[__]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

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

THIS [nTH] SUPPLEMENT TO PROPERTY LEASE, dated as of [MONTH] 1, 202[_] (this "[Nth] 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 TRUST COMPANY, NATIONAL ASSOCIATION (as successor-in-interest to 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");

W I T N E S S E T H:

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 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 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 Original Trust Agreement provides for the execution and delivery of additional certificates of participation by the execution and delivery of a supplement to the Original Trust Agreement (each, a "Supplement to Trust Agreement"), and authorizes the principal and interest with respect to said additional certificates of participation (each issuance thereof, "Additional Certificates") to be secured by a supplement to the Original Property Lease (each, a "Supplement to Property Lease") and to be paid from amounts paid by the City under a supplement to the Original Project Lease (each, a "Supplement to Project Lease");

WHEREAS, from time to time since the execution and delivery of the 2009A Certificates, the City has caused the execution and delivery of additional series of Additional Certificates (collectively, the "Prior Certificates") to finance or refinance various capital projects under the Original Trust Agreement pursuant to Supplements to Trust Agreement, which Prior Certificates were paid from amounts paid by the City under Supplements to Project Lease;

WHEREAS, of the Prior Certificates, the City currently has seven (7) certificates of participation transactions outstanding, including its (i) Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects), (ii) Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects), (iii) Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects), (iv) Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable), (v) Certificates of Participation,

Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt), (vi) Refunding Certificates of Participation, Series 2024-R1 (Multiple Capital Improvements) (Tax-Exempt) and (vii) Certificates of Participation, Series 2024A (Multiple Capital Improvement Projects) (collectively, the "Outstanding Certificates");

WHEREAS, the Prior Certificates evidenced, and the Outstanding Certificates evidence, direct, undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented;

WHEREAS, the Original Property Lease and the Original Project Lease provide that the City may (A) modify or amend the description of the property subject to the Original Property Lease and the Original Project Lease (the "Leased Property") or (B) add, substitute or release property from the Original Project Lease, as amended and supplemented, or add, substitute or release property from the Leased Property pursuant to (1) one or more Supplements to Property Lease and (2) one or more Supplements to Project Lease (collectively, the "Leased Property Amendment Provisions");

WHEREAS, the Leased Property subject to the Original Property Lease, as previously supplemented, and subject to the Original Project Lease, as previously supplemented, currently consists of portions of the property located at 375 Laguna Honda Boulevard within the City, the property located at 1 South Van Ness Avenue within the City and the property located at 1 Moreland Drive, San Bruno, California;

WHEREAS, the City desires to provide funds to [(i)] finance and refinance certain capital improvement projects within the City's capital plan and generally consisting of street resurfacing and curb ramp improvements; [and (ii) retire certain commercial paper notes of the City issued for such purposes] ([collectively,] the "202[_]Project");

WHEREAS, in order to provide funds for the 202[_] Project, the Trustee is executing and delivering a series of certificates of participation captioned "$65,000,000 City and County of San Francisco Certificates of Participation, Series 202[_] (Multiple Capital Improvement Projects)" (the "202[_] Certificates") under the [Nth] Supplement to Trust Agreement dated as of [MONTH] 1, 202[_] (the "[Nth] Supplement to Trust Agreement" and, collectively with the Original Trust Agreement and the Supplements to Trust Agreement, the "Trust Agreement");

WHEREAS, a portion of the proceeds of the 202[_] Certificates are also authorized to be used by the City to fund a debt service or other similar reserve account for the 202[_] Certificates, as appropriate, and to pay the costs of execution and delivery of the 202[_] Certificates;

WHEREAS, in connection with the execution and delivery of the 202[_] Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee are entering into this [Nth] Supplement to Property Lease, dated as of [MONTH] 1, 202[_] (the "[Nth] Supplement to Property Lease" and, together with the Original Property Lease and the Supplements to Property Lease, the "Property Lease"), supplementing and amending the Original Property Lease, as previously supplemented, to [IF NEEDED: (i) supplement the existing Leased Property subject thereto, pursuant to the Leased Property Amendment Provisions, by adding certain additional facilities and the land underlying such facilities located at [describe additional Leased Property] in the City, and all works, property, improvements, structures and fixtures therein and thereon, generally known as the [describe additional Leased Property] (the " Additional Leased Property" and, together

with the existing Leased Property, the "Leased Property"),] [(ii)] provide for the lease of the Leased Property by the City to the Trustee and [(iii)] provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the 202[_] 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 a [Nth] Supplement to Project Lease, dated as of [MONTH] 1, 202[_], by and between the City and the Trustee (the "[Nth] Supplement to Project Lease" and, collectively with the Original Project Lease and the Supplements to Project Lease, the "Project Lease"), supplementing and amending the Original Project Lease, as previously supplemented, to [IF NEEDED: (i) supplement the existing Leased Property subject thereto, pursuant to the Leased Property Amendment Provisions, by the addition of the Additional Leased Property,] [(ii)] provide for the lease of the Leased Property by the Trustee to the City and [(iii)] provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 202[_] Project and certain related matters;

WHEREAS, the 202[_] 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 and the [Nth] Supplement to 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 Certificates[ and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates];

WHEREAS, the Original Property Lease and the Supplements to Property Lease have been recorded in the Official Records of San Francisco, and the recording information for the recorded Original Property Lease and the Supplements to Property Lease is referenced in Exhibit B hereto; 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 previously supplemented and amended, as follows:

**Section 1. Lease of Leased Property; Effect of this [Nth] Supplement to Property Lease.**

(a) The City hereby leases to the Trustee the real property owned by the City described in Exhibit A attached hereto (the "Site"), together with the buildings and improvements now situated or hereinafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms hereof and of the Original Property Lease, as previously supplemented and amended, and (ii) to Permitted Encumbrances. The term "Site" as set forth in the Original Property Lease, as previously supplemented and amended, is hereby amended to include the Site described in the Original Property Lease, as previously supplemented and amended, and such additional real property, if any, described in Exhibit A attached hereto, inclusive. The City also grants to the Trustee such rights of ingress and egress to the Site as the Trustee may require in order to fulfill its obligations hereunder and under the Project Lease.

(b) On and after the date of this [Nth] Supplement to Property Lease, each reference in the Original Property Lease and in each of the Supplements to Property Lease and this [Nth] Supplement to Property Lease to the "Leased Property" shall include the "Leased Property" as set forth in Exhibit A hereto, inclusive of the "Site" as defined in Section 1(a) hereof. Except as expressly provided in this [Nth] Supplement to Property Lease, the Original Property Lease as amended and supplemented by the Supplements to Property Lease shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented hereby.

**Section 2. Ownership of Leased Property.** The City represents that it is the sole owner of and holds fee title to the Leased Property, subject to Permitted Encumbrances.

**Section 3. 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 202[_] Certificates as additional prepaid rental and additional rent of $1 per year as consideration for this [Nth] 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 [Nth] Supplement to Trust Agreement.

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

**Section 5. Counterparts.** This [Nth] 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.

IN WITNESS WHEREOF, the parties hereto have caused this [Nth] 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 TRUST COMPANY,
NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
[Controller][Mayor]

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
Deputy City Attorney

*[Signature page to [Nth] Supplement to Property Lease –*
*City and County of San Francisco Certificates of Participation Series 202[_]]*

$65,000,000 City and County of San Francisco
Certificates of Participation, Series 202[_]
(Multiple Capital Improvement Projects)

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

# EXHIBIT A

A-1

DESCRIPTION OF THE SITES

Parcel One:

The sites consisting of the footprints of those certain buildings known as the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building, each located on a portion of the real property described below and shown on the Site Plan attached to the lease(s) referenced in Exhibit C hereto, including all rights of access reasonably necessary to enter, leave and make reasonable use of such buildings. Such sites and rights of access are located on a portion of those parcels of land in the City and County of San Francisco, State of California, described as follows (as Parcel One on the succeeding page).

Parcel Two:

The site of the property generally known as the San Bruno Complex (County Jail No. 3), 1 Moreland Drive, San Bruno, California 94006 located on the real property described as follows (as Parcel Two on the succeeding pages).

Parcel Three:

The site of the property generally known as One South Van Ness Avenue, One South Van Ness Avenue, San Francisco, California 94112 located on the real property described as follows (as Parcel Three on the succeeding pages).

A-2

# LEGAL DESCRIPTION OF THE SITES

Parcel One:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

The sites consisting of the footprints of those certain buildings shown as the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building, each located on a portion of the real property described below and shown on the Site Plan attached to the lease(s) referenced in Exhibit C hereto, including all rights of access reasonably necessary to enter, leave and make reasonable use of such buildings. Such sites and rights of access are located on a portion of those parcels of land in the City and County of San Francisco, State of California, described as follows:

All that certain real property as shown on Record of Survey No. 5617, recorded May 26, 2009 as Instrument No. 09-I769617-00, in Book CC of Survey Maps at Page 143, in the Office of the County Recorder of San Francisco County said real property more particularly described as follows:

Beginning at Southwest corner of that certain map entitled "Midtown Terrace Subdivision No. 3" recorded July 27, 1955 in Book R of Maps, Page 68 in the Office of the Recorder of said San Francisco County; Thence,

North 89° 54' 00" East, 485.75 feet to the beginning of a non-tangent curve, concave to the Northeast, with a radius of 25.00 feet, whose radius point bears North 35° 01' 01" East; thence,

Southeasterly along said curve 15.32 feet, through a central angle of 35°07'01"; thence,

North 89° 54' 00" East, 179.19 feet to the beginning of a curve, concave to the Southwest with a radius of 15.00 feet; thence,

Southeasterly along said curve 23.30 feet, through a central angle of 88° 59' 45" to a point on the Westerly line of Panorama Drive (60.00 feet wide), said point also being the beginning of a reverse curve, concave to the Northeast with a radius of 280.00 feet; thence,

Southeasterly along said curve 175.42 feet, through a central angle of 35° 53' 45"; thence,

Continuing along said Westerly line, South 37 ° 00' 00" East, 58.45 feet; thence,

Leaving said Westerly line, South 89° 50' 26" West, 433.99 feet; thence,

South 25° 07' 46" West, 742.14 feet to a point on the North line of Woodside Avenue (80.00 feet wide); thence,

Along said North line, North 53° 52' 14" West 54.59 feet to the beginning of a curve, concave to the South with a radius of 148.50 feet; thence,

Westerly along said curve 48.61 feet through a central angle of 18° 45' 20"; thence,

Leaving said North line, North 17° 22' 26" East 137.50 feet; thence,

North 72° 37' 34" West 350.00 feet; thence,

South 17° 22' 26" West 137.50 feet to a point on said North line of Woodside Avenue; thence,

Along said North line, North 72° 37' 34" West 64.98 feet to the beginning of a curve, concave to the South with a radius of 80.00 feet; thence,

Westerly along said curve 3.36 feet, through a central angle of 2° 24' 20"; thence,

North 75° 01' 54" West 130.76 feet to the beginning of a curve, concave to the South with a radius of 80.00 feet; thence,

Westerly along said curve 4.61 feet through a central angle of 3° 18' 02"; thence,

North 78° 19' 56" West 351.04 feet to the beginning of a curve, concave Southerly with a radius of 293.09 feet; thence,

Westerly along said curve 60.78 feet through a central angle of 11° 52' 58"; thence,

South 89° 47' 06" West 138.66 feet to the beginning of a curve, concave to the Northeast with a radius of 53.00 feet; thence,

Northwesterly along said curve 50.88 feet through a central angle of 55° 00' 04" (transitioning to the Easterly line of Laguna Honda Boulevard (variable width)); thence,

Along said Easterly line, North 35° 12' 50" West 95.18 feet to the beginning of a curve, concave to the East with a radius of 60.00 feet; thence,

Northerly along said curve 48.84 feet through a central angle of 46°38' 28" to a non-tangent line; thence,

North 41° 12' 27" East 61.00 feet to the beginning of a curve, concave Westerly with a radius of 217.76 feet; thence,

Northerly along said curve 253.29 feet through a central angle of 66° 38' 49" to the beginning of a reverse curve, concave to the East with a radius of 111.00 feet; thence,

Northerly along said curve 54.55 through a central angle of 28° 09' 23" to the beginning of a reverse curve, concave to the West with a radius of 74.00 feet; thence,

Northwesterly along said curve 73.95 feet through a central angle of 57° 15' 24"; thence,

North 54° 32' 22" West 112.03 feet; thence,

North 39° 19' 20" West 515.88 feet to the beginning of a curve, concave to the Northeast with a radius of 550.00 feet; thence,

Northerly along said curve 191.99 feet through a central angle of 20° 00' 00"; thence,

North 19° 19' 20" West 223.38 feet to the beginning of a curve, concave to the Southwest with a radius of 709.99 feet; thence,

Northwesterly along said curve 232.44 feet through a central angle of 18° 45' 27" to the beginning of a reverse curve, concave to the Southeast with a radius of 70.00 feet; thence,

Northerly along said curve 120.35 feet (transitioning to the Southerly line of Clarendon Avenue (variable width) to the beginning of a compound curve concave to the South with a radius of 328.22 feet; thence,

Northeasterly along said curve 133.28 feet through a central angle of 23° 15' 58"; thence,

North 83° 41' 44" East 429.27 feet to the beginning of a curve, concave to the South with a radius of 233.58 feet; thence,

Southeasterly along said curve 109.19 feet through a central angle of 26° 47' 00"; thence,

South 69° 31' 16" East 176.45 feet; thence,

Leaving said Southerly line of Clarendon Avenue, South 44°45' 48" East 463.19 feet; thence,

North 89° 41' 23" East 722.81 feet to the Westerly line of said Midtown Terrace; thence,

South 0° 09' 51" East 771.80 feet to the point of beginning of this description.

**APN: Lot 007, Block 2842**

Parcel Two:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN BRUNO, IN THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel A:

Beginning at the point of intersection of the Southerly boundary of Sharp Park; as Conveyed to the City and County of San Francisco by Deed from Adolph B. Spreckels, dated March 31, 1916 and recorded December 12, 1916, in Book 258 of Deeds, at Page 389 and by Deed from Samuel G. Murphy, dated June 6, 1917 and recorded July 23, 1917 in Book 263 of Deeds, at Page 475, Records of San Mateo County, and the Southwesterly boundary of the property of Jersey Farm Company, as said point is defined by a granite monument at .the intersection of fence lines and running thence Northwesterly along the Northeasterly boundary of Sharp Park, North 31° 20' 00" West 2618.22 feet; thence East 421.66 feet; thence North 24° 26' 31" East 294.13 feet; thence North 27° 59" 56" East 429.61 'feet; thence North 71° 53' 26" East 156.58 feet; thence South 63° 20' 42" East 245.31 feet; thence South 89° 52' 42" East 386:25 feet; thence North 57° 17' 52" East 227.14 feet; thence North 87° 58' 09" East 274.78 feet; thence North 58° 48' 53" East 259.57 feet; thence South 49° 22'40" East 166.75 feet; thence South 70° 11' 59" East 122.08 feet; thence North 67° 02' 00" East 167.11 feet; thence South 31° 04' 55" East 785.79 feet; thence South 43° 47' 53" East 184.42 feet; thence South 68° 49’ 00" East 160.41 feet; thence North 72° 17' 52" East 117.20 feet; thence North 57° 14' 42" East 399.79 feet; thence North 64° 02' 54" East 139.70 feet; thence South 6° 23' 45" East 340.78 feet; thence South 22° 04' 52" West 356.20 feet; thence South 11° 07' 04" West 237.69 feet; thence South 25° 38' 07" East 300.91 feet; thence South 36° 16' 36" East 992.17 feet; thence South 8° 06' 39" West 201.0 feet; thence South 70°.17' 32" West 217.72 feet; thence South 50° 26' 14" West 153.55 feet; thence South 22° 06' 38" West 95.32 feet; thence South 6° 56' 53" East 133.52 feet; thence South 26° 54' 30" East 135.99 feet; thence South 33° 03' 27" East 218.14 feet; thence South 9° 07’ 12" East 164.60 feet; thence South 64° 50' 04" West 430.05 feet; thence North 83° 29' 43" West 2201.00 feet; thence North 31° 20' 00" West 599.48 feet, to the point of beginning. Being a portion of the San Pedro Rancho and of the Buri Buri Rancho.

Excepting Therefrom that property granted to the United States of America by Deed dated May 19, 1941 and recorded November 7, 1941 in Book 992 at Page 128, Official Records of San Mateo County, State of California.

Parcel B:

A right of way easement to construct, reconstruct, maintain, repair and use a road over a strip of land 40 feet wide, 20 feet measured at right angles each side of the following described center line:

Beginning at a concrete monument on the Southwesterly line of the right of way of the Skyline Boulevard, marked P.C. 350+52.02 which bears South 40° 24' East from a concrete monument marked A' 346 - 70.53 P.O.C., P. 346 - 59.97 P.T. and running thence South 15° 14' East 225.92 feet on said Southwesterly line; thence continuing on said right of way North 74° 46' East 19.37 feet to the true, point of beginning of this description; thence Southeasterly on the arc of a curve to the left tangent to a line deflected 81° 54' 16" to the right from the preceding course with a radius of 500 feet, a central angle of 7° 42' 51", an arc distance of 67.32 feet; thence Southeasterly tangent to the preceding curve 107.51 feet; thence Southeasterly on the arc of a curve to the right tangent to the preceding course with a radius of 1250 feet, a central angle of 21° 02' 35" an arc distance of 459.09 feet; thence Southeasterly tangent to the preceding curve, 182.23 feet; thence

Southeasterly, Southerly and Southwesterly on the arc of a curve to the right, tangent to the preceding course with a radius of 400 feet, a central angle of 90° 10' 22", an arc distance of 629.92 feet; thence Southwesterly tangent to the preceding curve 448.41 feet to the Easterly boundary of Parcel 1, hereinbefore described, distant thereon South 6° 23' 45" East, 25 feet from the Northeast corner of said Parcel 1.

JPN: 017-053-530-01A

**APN: 017-530-010**

Parcel Three:

Beginning at the point of intersection of the Southeasterly line of Market Street and the Easterly line of South Van Ness Avenue, as shown upon "Map showing the opening of Van Ness Avenue South", filed June 3, 1926 in Book "K" of Maps, Page 54, in the Office of the Recorder of the City and County of San Francisco, State of California; running thence Southerly along said Easterly line of South Van Ness Avenue, 323.68 feet to a line drawn parallel with and perpendicularly distant 275 feet Southeasterly from the Southeasterly line of Market Street and its extension; thence Northeasterly along the last mentioned line so drawn, 320.51 feet to the Southwesterly line of Eleventh Street; thence Northwesterly along the Southwesterly line of Eleventh Street, 258.10 feet; thence Northwesterly along the arc of a curve to the left with a radius of 16.90 feet, a central angle of 90°, which connects said line of Eleventh Street with the Southeasterly line of Market Street, a distance of 26.546 feet to the Northwesterly terminus of said curve; thence Southwesterly along the Southeasterly tangent line of Market Street, 133.51 feet to the point of beginning.

Being portion of Mission Block No. 12.

APN: Lot 001, Block 3506

## EXHIBIT B

Original Property Lease, the First Supplement to Property Lease, the Second Supplement to Property Lease, the Third Supplement to Property Lease, the Fourth Supplement to Property Lease, the Fifth Supplement to Property Lease, the Sixth Supplement to Property Lease, the Seventh Supplement to Property Lease and the Eighth Supplement to Property Lease

1. Property Lease dated as of May 1, 2009, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded May 26, 2009, Instrument No. 2009-I769825, of Official Records of San Francisco.

2. First Supplement to Property Lease dated as of September 1, 2009, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded September 16, 2009, Instrument No. 2009-I835939, of Official Records of San Francisco.

3. Second Supplement to Property Lease dated as of May 1, 2012, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded June 5, 2012, Instrument No. 2012-J425672, of Official Records of San Francisco.

4. Third Supplement to Property Lease dated as of November 1, 2019, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded November 20, 2019, Instrument No. 2019-K859388-00, of Official Records of San Francisco.

5. Fourth Supplement to Property Lease dated as of November 1, 2020, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded November 2, 2020, Instrument No. 2020042603, of Official Records of San Francisco.

6. Fifth Supplement to Property Lease dated as of May 1, 2021, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded May 11, 2021, Instrument No. 2021078502, of Official Records of San Francisco.

7. Sixth Supplement to Property Lease dated as of November 1, 2023, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded November 6, 2023, Instrument No. 2023087148, of Official Records of San Francisco.

8. Seventh Supplement to Property Lease dated as of November 1, 2023, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded November 6, 2023, Instrument No. 2023087160, of Official Records of San Francisco.

9. Eighth Supplement to Property Lease dated as of May 1, 2024, executed by City and County of San Francisco, a municipal corporation, as lessor, and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as lessee, recorded May 22, 2024, Instrument No. 2024040428, of Official Records of San Francisco.

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

375 Laguna Honda Blvd. – Lot 007, Block 2842 (a portion)
1 South Van Ness Ave. – Lot 001, Block 3506

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# [nTH] SUPPLEMENT TO PROJECT LEASE

**by and between**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**
**as Lessor**

**and the**

**CITY AND COUNTY OF SAN FRANCISCO,**
**as Lessee**

**Dated as of [MONTH] 1, 202[_]**

**Relating to:**

**$65,000,000**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION, SERIES 202[_]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**

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

THIS [nTH] SUPPLEMENT TO PROJECT LEASE, dated as of [MONTH] 1, 202[_] (this "[Nth] 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 TRUST COMPANY, NATIONAL ASSOCIATION (as successor-in-interest to 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");

WI T N E S S E T H:

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 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, 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 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 Original Trust Agreement provides for the execution and delivery of additional certificates of participation by the execution and delivery of a supplement to the Original Trust Agreement (each, a "Supplement to Trust Agreement"), and authorizes the principal and interest with respect to said additional certificates of participation (each issuance thereof, "Additional Certificates") to be secured by a supplement to the Original Property Lease (each, a "Supplement to Property Lease") and to be paid from amounts paid by the City under a supplement to the Original Project Lease (each, a "Supplement to Project Lease");;

WHEREAS, from time to time since the execution and delivery of the 2009A Certificates, the City has caused the execution and delivery of additional series of Additional Certificates (collectively, "Prior Certificates") to finance or refinance various capital projects under the Original Trust Agreement pursuant to Supplements to Trust Agreement, which Prior Certificates were paid from amounts paid by the City under Supplements to Project Lease;

WHEREAS, of the Prior Certificates, the City currently has seven (7) certificates of participation transactions outstanding, including its (i) Refunding Certificates of Participation, Series 2019-R1 (Multiple Capital Improvement Projects), (ii) Refunding Certificates of Participation, Series 2020-R1 (Multiple Capital Improvement Projects), (iii) Certificates of Participation, Series 2021A (Multiple Capital Improvement Projects), (iv) Certificates of Participation, Series 2023A (Affordable Housing and Community Facilities Projects) (Federally

Taxable), (v) Certificates of Participation, Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt), (vi) Refunding Certificates of Participation, Series 2024-R1 (Multiple Capital Improvements) (Tax-Exempt) and (vii) Certificates of Participation, Series 2024A (Multiple Capital Improvement Projects) (collectively, "Outstanding Certificates");

WHEREAS, the Prior Certificates evidenced, and the Outstanding Certificates evidence, direct, undivided interests in the lease payments made by the City under the Original Project Lease, as supplemented;

WHEREAS, the Original Property Lease and the Original Project Lease provide that the City may (A) modify or amend the description of the property subject to the Original Property Lease and the Original Project Lease ("Leased Property") or (B) add, substitute or release property from the Original Project Lease, as amended and supplemented, or add, substitute or release property from the Leased Property pursuant to (1) one or more Supplements to Property Lease and (2) one or more Supplements to Project Lease (collectively, the "Leased Property Amendment Provisions");

WHEREAS, the Leased Property subject to the Original Property Lease, as previously supplemented, and subject to the Original Project Lease, as previously supplemented, currently consists of portions of the property located at 375 Laguna Honda Boulevard within the City, the property located at 1 South Van Ness Avenue within the City and the property located at 1 Moreland Drive, San Bruno, California;

WHEREAS, the City desires to provide funds to [(i)] finance and refinance certain capital improvement projects within the City's capital plan and generally consisting of street resurfacing and curb ramp improvements[; and (ii) retire certain commercial paper notes of the City issued for such purposes] ([collectively,] the "202[_]Project"),

WHEREAS, in order to provide funds for the 202[_] Project, the Trustee is executing and delivering a series of certificates of participation captioned "$65,000,000 City and County of San Francisco Certificates of Participation, Series 202[_] (Multiple Capital Improvement Projects)" (the "202[_] Certificates") under the [Nth] Supplement to Trust Agreement dated as of [MONTH] 1, 202[_] (the "[Nth] Supplement to Trust Agreement" and, collectively with the Original Trust Agreement and the Supplements to Trust Agreement, the "Trust Agreement");

WHEREAS, proceeds of the 202[_] Certificates are also authorized under the Trust Agreement to fund a debt service reserve account for the 202[_] Certificates in the amount of $[AMOUNT] and to pay costs of execution and delivery of the 202[_] Certificates;

WHEREAS, in connection with the execution and delivery of the 202[_] Certificates, pursuant to Section 5 of the Original Property Lease, the City and the Trustee will enter into the [Nth] Supplement to Property Lease, dated as of [MONTH] 1, 202[_] (the "[Nth] Supplement to Property Lease" and, together with the Original Property Lease and the Supplements to Property Lease, the "Property Lease"), supplementing and amending the Original Property Lease, as previously supplemented, to [IF NEEDED: (i) supplement the existing Leased Property subject thereto, pursuant to the Leased Property Amendment Provisions, by adding certain additional facilities and the land underlying such facilities located at [describe additional Leased Property] in the City, and all works, property, improvements, structures and fixtures therein and thereon,

generally known as the [describe additional Leased Property] (the "Additional Leased Property" and, together with the existing Leased Property, the "Leased Property"),] [(ii)] provide for the lease of the Leased Property by the City to the Trustee and [(iii)] provide for additional or adjusted rental to be paid by the Trustee in connection with the financing of the 202[_] 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 [Nth] Supplement to Project Lease, dated as of [MONTH] 1, 202[_], by and between the City and the Trustee (the "[Nth] Supplement to Project Lease" and, collectively with the Original Project Lease and the Supplements to Project Lease, the "Project Lease"), supplementing and amending the Original Project Lease, as previously supplemented, to [IF NEEDED: (i) supplement the existing Leased Property subject thereto, pursuant to the Leased Property Amendment Provisions, by adding the Additional Leased Property,] [(ii)] provide for the lease of the Leased Property by the Trustee to the City and [(iii)] provide for additional or adjusted Base Rental to be paid by the City in connection with the financing of the 202[_] Project and certain related matters;

WHEREAS, the 202[_] 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 and the [Nth] Supplement to 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 Certificates[ and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates];

WHEREAS, the Original Project Lease and the Supplements to Project Lease have been recorded in the Official Records of San Francisco, and the recording information for the recorded Original Project Lease and the Supplements to Project Lease is referenced in Exhibit C hereto; 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 previously supplemented and amended, as follows:

**Section 1. [IF NEEDED: Amendment to Original Project Lease Relating to Site and Leased Property**. The Original Project Lease, as previously supplemented and amended, is hereby further supplemented and amended to replace Exhibit A thereto with Exhibit A hereto, and the term "Site" as set forth in the Original Property Lease, as previously supplemented and amended, is hereby amended to include the Site described in the Original Property Lease, as previously supplemented and amended, and such additional real property, if any, described in Exhibit A attached hereto, inclusive. For clarity, the term "Leased Property" in the Project Lease as modified by the terms of this [Nth] Supplement to Project Lease, shall continue to have the meaning set forth in the Original Project Lease, which definition by its terms includes such modifications thereto made by certain prior Supplements to Project Lease and hereby.]

**Section 2. 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 B hereto, which constitutes the principal and interest represented by the 202[_]

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 [MONTH] [__] and [MONTH] [__] during the Project Lease Term, commencing [MONTH] [__], 20[__]. Such Base Rental provided in this Section [1][2] and Exhibit B hereto is supplemental to the amounts due as provided in each Section 1 and Exhibit A of the Supplements to Project Lease relating to Outstanding Certificates.

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 [Nth] Supplement to Project Lease and to the general public by reason of the City's lease and use of the Leased Property.

**Section 3. 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 4. Original Project Lease Still in Effect**. This [Nth] 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 Supplements 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 Supplements 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 5.** **Insurance**. A new Section 4.3[([_])] is hereby added to Section 4.3 of the Original Project Lease as follows:

[([_])] The City shall deliver to the Trustee, on the date of execution and delivery of the 202[_] Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), which policy, when combined with the policy/ies of title insurance issued in connection with the execution and delivery of the Outstanding Certificates[ and the policy(ies) of title insurance issued in connection with the execution and delivery of any other outstanding certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates], shall be in an aggregate amount at least equal to the initial aggregate principal amount of the Outstanding Certificates[ and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates], inclusive, showing a leasehold interest in such additional 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 202[_] Certificates and the then-outstanding aggregate principal amount of the Outstanding Certificates[ and any other outstanding certificates of participation of the City authorized, executed and delivered pursuant to additional, respective, executed and delivered supplements to the Original Agreements, prior to the execution and delivery of the 202[__] Certificates].

**Section 6.** **Governing Law**. This [Nth] Supplement to Project Lease shall be governed by and construed in accordance with the laws of the State of California.

**Section 7.** **Counterparts**. This [Nth] 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 [Nth] Supplement to Project Lease as of the date first above written.

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By:_____
[Controller][Mayor]

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
Deputy City Attorney

*[Signature page to [Nth] Supplement to Project Lease –*
*City and County of San Francisco Certificates of Participation Series 202[_]]*

$65,000,000 City and County of San Francisco
Certificates of Participation, Series 202[_]
(Multiple Capital Improvement Projects)

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 [Nth] Supplement to Project Lease, dated as of [MONTH] 1, 202[_], from U.S. Bank Trust Company, 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 [___]-2[_] of the Board of Supervisors adopted by the Board of Supervisors on [DATE], 202[_], and signed by the Mayor on [DATE], 202[_], and the grantee consents to recordation thereof.

Dated: [DATE], 202[_]

**CITY AND COUNTY OF SAN FRANCISCO**

By: _____
[Controller][Mayor]

[SEAL]

ATTEST:

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
CITY ATTORNEY

By: _____
Deputy City Attorney

*[Signature page to City's Certificate of Acceptance – [Nth] Supplement to Project Lease – City and County of San Francisco Certificates of Participation Series 202[_]]*

$65,000,000 City and County of San Francisco
Certificates of Participation, Series 202[_]
(Multiple Capital Improvement Projects)

EXHIBIT A

A-1

DESCRIPTION OF THE SITES

Parcel One:

The sites consisting of the footprints of those certain buildings known as the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building, each located on a portion of the real property described below and shown on the Site Plan attached to the lease(s) referenced in Exhibit C hereto, including all rights of access reasonably necessary to enter, leave and make reasonable use of such buildings. Such sites and rights of access are located on a portion of those parcels of land in the City and County of San Francisco, State of California, described as follows (as Parcel One on the succeeding page).

Parcel Two:

The site of the property generally known as the San Bruno Complex (County Jail No. 3), 1 Moreland Drive, San Bruno, California 94006 located on the real property described as follows (as Parcel Two on the succeeding page).

Parcel Three:

The site of the property generally known as One South Van Ness Avenue, One South Van Ness Avenue, San Francisco, California 94112 located on the real property described as follows (as Parcel Three on the succeeding pages).

# LEGAL DESCRIPTIONS OF THE SITES

Parcel One:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

The sites consisting of the footprints of those certain buildings shown as the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building, each located on a portion of the real property described below and shown on the Site Plan attached to the lease(s) referenced in Exhibit C hereto, including all rights of access reasonably necessary to enter, leave and make reasonable use of such buildings. Such sites and rights of access are located on a portion of those parcels of land in the City and County of San Francisco, State of California, described as follows:

All that certain real property as shown on Record of Survey No. 5617, recorded May 26, 2009 as Instrument No. 09-I769617-00, in Book CC of Survey Maps at Page 143, in the Office of the County Recorder of San Francisco County said real property more particularly described as follows:

Beginning at Southwest corner of that certain map entitled "Midtown Terrace Subdivision No. 3" recorded July 27, 1955 in Book R of Maps, Page 68 in the Office of the Recorder of said San Francisco County; Thence,

North 89° 54' 00" East, 485.75 feet to the beginning of a non-tangent curve, concave to the Northeast, with a radius of 25.00 feet, whose radius point bears North 35° 01' 01" East; thence,

Southeasterly along said curve 15.32 feet, through a central angle of 35°07'01"; thence,

North 89° 54' 00" East, 179.19 feet to the beginning of a curve, concave to the Southwest with a radius of 15.00 feet; thence,

Southeasterly along said curve 23.30 feet, through a central angle of 88° 59' 45" to a point on the Westerly line of Panorama Drive (60.00 feet wide), said point also being the beginning of a reverse curve, concave to the Northeast with a radius of 280.00 feet; thence,

Southeasterly along said curve 175.42 feet, through a central angle of 35° 53' 45"; thence,

Continuing along said Westerly line, South 37 ° 00' 00" East, 58.45 feet; thence,

Leaving said Westerly line, South 89° 50' 26" West, 433.99 feet; thence,

South 25° 07' 46" West, 742.14 feet to a point on the North line of Woodside Avenue (80.00 feet wide); thence,

Along said North line, North 53° 52' 14" West 54.59 feet to the beginning of a curve, concave to the South with a radius of 148.50 feet; thence,

Westerly along said curve 48.61 feet through a central angle of 18° 45' 20"; thence,

Leaving said North line, North 17° 22' 26" East 137.50 feet; thence,

North 72° 37' 34" West 350.00 feet; thence,

South 17° 22' 26" West 137.50 feet to a point on said North line of Woodside Avenue; thence,

Along said North line, North 72° 37' 34" West 64.98 feet to the beginning of a curve, concave to the South with a radius of 80.00 feet; thence,

Westerly along said curve 3.36 feet, through a central angle of 2° 24' 20"; thence,

North 75° 01' 54" West 130.76 feet to the beginning of a curve, concave to the South with a radius of 80.00 feet; thence,

Westerly along said curve 4.61 feet through a central angle of 3° 18' 02"; thence,

North 78° 19' 56" West 351.04 feet to the beginning of a curve, concave Southerly with a radius of 293.09 feet; thence,

Westerly along said curve 60.78 feet through a central angle of 11° 52' 58"; thence,

South 89° 47' 06" West 138.66 feet to the beginning of a curve, concave to the Northeast with a radius of 53.00 feet; thence,

Northwesterly along said curve 50.88 feet through a central angle of 55° 00' 04" (transitioning to the Easterly line of Laguna Honda Boulevard (variable width)); thence,

Along said Easterly line, North 35° 12' 50" West 95.18 feet to the beginning of a curve, concave to the East with a radius of 60.00 feet; thence,

Northerly along said curve 48.84 feet through a central angle of 46°38' 28" to a non-tangent line; thence,

North 41° 12' 27" East 61.00 feet to the beginning of a curve, concave Westerly with a radius of 217.76 feet; thence,

Northerly along said curve 253.29 feet through a central angle of 66° 38' 49" to the beginning of a reverse curve, concave to the East with a radius of 111.00 feet; thence,

Northerly along said curve 54.55 through a central angle of 28° 09' 23" to the beginning of a reverse curve, concave to the West with a radius of 74.00 feet; thence,

Northwesterly along said curve 73.95 feet through a central angle of 57° 15' 24"; thence,

North 54° 32' 22" West 112.03 feet; thence,

North 39° 19' 20" West 515.88 feet to the beginning of a curve, concave to the Northeast with a radius of 550.00 feet; thence,

Northerly along said curve 191.99 feet through a central angle of 20° 00' 00"; thence,

North 19° 19' 20" West 223.38 feet to the beginning of a curve, concave to the Southwest with a radius of 709.99 feet; thence,

Northwesterly along said curve 232.44 feet through a central angle of 18° 45' 27" to the beginning of a reverse curve, concave to the Southeast with a radius of 70.00 feet; thence,

Northerly along said curve 120.35 feet (transitioning to the Southerly line of Clarendon Avenue (variable width) to the beginning of a compound curve concave to the South with a radius of 328.22 feet; thence,

Northeasterly along said curve 133.28 feet through a central angle of 23° 15' 58"; thence,

North 83° 41' 44" East 429.27 feet to the beginning of a curve, concave to the South with a radius of 233.58 feet; thence,

Southeasterly along said curve 109.19 feet through a central angle of 26° 47' 00"; thence,

South 69° 31' 16" East 176.45 feet; thence,

Leaving said Southerly line of Clarendon Avenue, South 44°45' 48" East 463.19 feet; thence,

North 89° 41' 23" East 722.81 feet to the Westerly line of said Midtown Terrace; thence,

South 0° 09' 51" East 771.80 feet to the point of beginning of this description.

**APN: Lot 007, Block 2842**

Parcel Two:

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN BRUNO, IN THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

Parcel A:

Beginning at the point of intersection of the Southerly boundary of Sharp Park; as Conveyed to the City and County of San Francisco by Deed from Adolph B. Spreckels, dated March 31, 1916 and recorded December 12, 1916, in Book 258 of Deeds, at Page 389 and by Deed from Samuel G. Murphy, dated June 6, 1917 and recorded July 23, 1917 in Book 263 of Deeds, at Page 475, Records of San Mateo County, and the Southwesterly boundary of the property of Jersey Farm Company, as said point is defined by a granite monument at .the intersection of fence lines and running thence Northwesterly along the Northeasterly boundary of Sharp Park, North 31° 20' 00" West 2618.22 feet; thence East 421.66 feet; thence North 24° 26' 31" East 294.13 feet; thence North 27° 59" 56" East 429.61 'feet; thence North 71° 53' 26" East 156.58 feet; thence South 63° 20' 42" East 245.31 feet; thence South 89° 52' 42" East 386:25 feet; thence North 57° 17' 52" East 227.14 feet; thence North 87° 58' 09" East 274.78 feet; thence North 58° 48' 53" East 259.57 feet; thence South 49° 22'40" East 166.75 feet; thence South 70° 11' 59" East 122.08 feet; thence North 67° 02' 00" East 167.11 feet; thence South 31° 04' 55" East 785.79 feet; thence South 43° 47' 53" East 184.42 feet; thence South 68° 49’ 00" East 160.41 feet; thence North 72° 17' 52" East 117.20 feet; thence North 57° 14' 42" East 399.79 feet; thence North 64° 02' 54" East 139.70 feet; thence South 6° 23' 45" East 340.78 feet; thence South 22° 04' 52" West 356.20 feet; thence South 11° 07' 04" West 237.69 feet; thence South 25° 38' 07" East 300.91 feet; thence South 36° 16' 36" East 992.17 feet; thence South 8° 06' 39" West 201.0 feet; thence South 70°.17' 32" West 217.72 feet; thence South 50° 26' 14" West 153.55 feet; thence South 22° 06' 38" West 95.32 feet; thence South 6° 56' 53" East 133.52 feet; thence South 26° 54' 30" East 135.99 feet; thence South 33° 03' 27" East 218.14 feet; thence South 9° 07’ 12" East 164.60 feet; thence South 64° 50' 04" West 430.05 feet; thence North 83° 29' 43" West 2201.00 feet; thence North 31° 20' 00" West 599.48 feet, to the point of beginning. Being a portion of the San Pedro Rancho and of the Buri Buri Rancho.

Excepting Therefrom that property granted to the United States of America by Deed dated May 19, 1941 and recorded November 7, 1941 in Book 992 at Page 128, Official Records of San Mateo County, State of California.

Parcel B:

A right of way easement to construct, reconstruct, maintain, repair and use a road over a strip of land 40 feet wide, 20 feet measured at right angles each side of the following described center line:

Beginning at a concrete monument on the Southwesterly line of the right of way of the Skyline Boulevard, marked P.C. 350+52.02 which bears South 40° 24' East from a concrete monument marked A' 346 - 70.53 P.O.C., P. 346 - 59.97 P.T. and running thence South 15° 14' East 225.92 feet on said Southwesterly line; thence continuing on said right of way North 74° 46' East 19.37 feet to the true, point of beginning of this description; thence Southeasterly on the arc of a curve to the left tangent to a line deflected 81° 54' 16" to the right from the preceding course with a radius of 500 feet, a central angle of 7° 42' 51", an arc distance of 67.32 feet; thence Southeasterly tangent to the preceding curve 107.51 feet; thence Southeasterly on the arc of a curve to the right tangent to the preceding course with a radius of 1250 feet, a central angle of 21° 02' 35" an arc distance of 459.09 feet; thence Southeasterly tangent to the preceding curve, 182.23 feet; thence

Southeasterly, Southerly and Southwesterly on the arc of a curve to the right, tangent to the preceding course with a radius of 400 feet, a central angle of 90° 10' 22", an arc distance of 629.92 feet; thence Southwesterly tangent to the preceding curve 448.41 feet to the Easterly boundary of Parcel 1, hereinbefore described, distant thereon South 6° 23' 45" East, 25 feet from the Northeast corner of said Parcel 1.

JPN: 017-053-530-01A

**APN: 017-530-010**

Parcel Three:

Beginning at the point of intersection of the Southeasterly line of Market Street and the Easterly line of South Van Ness Avenue, as shown upon "Map showing the opening of Van Ness Avenue South", filed June 3, 1926 in Book "K" of Maps, Page 54, in the Office of the Recorder of the City and County of San Francisco, State of California; running thence Southerly along said Easterly line of South Van Ness Avenue, 323.68 feet to a line drawn parallel with and perpendicularly distant 275 feet Southeasterly from the Southeasterly line of Market Street and its extension; thence Northeasterly along the last mentioned line so drawn, 320.51 feet to the Southwesterly line of Eleventh Street; thence Northwesterly along the Southwesterly line of Eleventh Street, 258.10 feet; thence Northwesterly along the arc of a curve to the left with a radius of 16.90 feet, a central angle of 90°, which connects said line of Eleventh Street with the Southeasterly line of Market Street, a distance of 26.546 feet to the Northwesterly terminus of said curve; thence Southwesterly along the Southeasterly tangent line of Market Street, 133.51 feet to the point of beginning.

Being portion of Mission Block No. 12.

APN: Lot 001, Block 3506

**EXHIBIT B**

**BASE RENTAL SCHEDULE***

| ***Payment Date*** | ***Principal*** | ***Interest*** | ***Semi-Annual Base Rental*** | ***Annual Base Rental*** |
|---|---|---|---|---|

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

## EXHIBIT C

Original Project Lease, the First Supplement to Project Lease, the Second Supplement to Project Lease, the Third Supplement to Project Lease, the Fourth Supplement to Project Lease, the Fifth Supplement to Project Lease, the Sixth Supplement to Project Lease, the Seventh Supplement and the Eighth Supplement to Project Lease

1. Project Lease dated as of May 1, 2009, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, and recorded May 26, 2009, Instrument No. 2009-I769826, of Official Records of San Francisco.

2. First Supplement to Project Lease dated as of September 1, 2009, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded September 16, 2009, Instrument No. 2009-I835940, of Official Records of San Francisco.

3. Second Supplement to Property Lease dated as of May 1, 2012, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded June 5, 2012, Instrument No. 2012-J425673, of Official Records of San Francisco.

4. Third Supplement to Project Lease dated as of November 1, 2019, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded November 20, 2019, Instrument No. 2019-K859389-00, of Official Records of San Francisco.

5. Fourth Supplement to Project Lease dated as of November 1, 2020, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded November 2, 2020, Instrument No. 2020042604, of Official Records of San Francisco.

6. Fifth Supplement to Project Lease dated as of May 1, 2021, executed by U.S. Bank National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded May 11, 2021, Instrument No. 2021078501, of Official Records of San Francisco.

7. Sixth Supplement to Project Lease dated as of November 1, 2023, executed by U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded November 6, 2023, Instrument No. 2023087149, of Official Records of San Francisco.

8. Seventh Supplement to Project Lease dated as of November 1, 2023, executed by U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded November 6, 2023, Instrument No. 2023087161, of Official Records of San Francisco.

9. Eighth Supplement to Project Lease dated as of May 1, 2023, executed by U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as Trustee under the Trust Agreement, as sublessor, and City and County of San Francisco, a municipal corporation, as sublessee, recorded May 22, 2024, Instrument No. 2024040429, of Official Records of San Francisco.

**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**

consisting of

| | |
|---|---|
| **$[_____]** | **$[_____]** |
| **CERTIFICATES OF PARTICIPATION** | **CERTIFICATES OF PARTICIPATION** |
| **SERIES 202[__][A]** | **SERIES 202[__][B]** |
| **(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)** | **(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)** |
| **(TAX-EXEMPT)** | **(FEDERALLY TAXABLE)** |

# PURCHASE CONTRACT

**[_____]**, 202[_]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 338
San Francisco, California 94102

Ladies and Gentlemen:

The undersigned, **[_____]**, acting on behalf of itself (the "*Representative*") and as representative of **[_____]**, (together, the "*Underwriters*"), offers to enter into the following agreement with the City and County of San Francisco (the "*City*") to purchase the certificates of participation captioned above (collectively, the "*Certificates*"). Upon the acceptance of this offer by the City, this Purchase Contract (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 is otherwise terminated pursuant to Section 8(d) 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 9(a) 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 Trust Company, National Association, as successor in interest to 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 the **[n]**th Supplement to Trust Agreement related to the Tax-Exempt Certificates (defined herein) and the **[n]**th Supplement to Trust Agreement related to the Taxable Certificates (defined herein), each dated as of **[_____, 202_]**, by and between the City and the Trustee (the "***[n]****th Supplement*

*to Trust Agreement*" and "***[n]****th Supplement to Trust Agreement*," respectively, and together the "*Supplements to Trust Agreement*" and collectively 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 **$[_____]** aggregate principal amount of the City and County of San Francisco Certificates of Participation, Series 202[__][A] (Multiple Capital Improvement Projects) (Tax-Exempt) (the "*Tax-Exempt Certificates*") and the **$[_____]** aggregate principal amount of City and County of San Francisco Taxable Certificates of Participation, Series 202[__][B] (Multiple Capital Improvement Projects) (Federally Taxable) (the "*Taxable 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 ("*Schedule I*"). The Certificates may be subject to optional and mandatory prepayment and sinking account prepayments prior to maturity as described in the applicable 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 applicable Supplement to Trust Agreement. The Certificates shall be as otherwise described in the Official Statement (as hereinafter defined).

The aggregate purchase price for the Certificates shall be **$[_____]**, calculated as the principal amount of the Certificates in the amount of **$[_____]**, **[**plus **[**net**][**original**]** issue premium in the amount of **$[_____]** and**]** less an underwriters' discount in the amount of **$[_____]**.

Interest with respect to the Certificates will be exempt from State of California personal income taxes, all as further described in 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 **[_____]**, 202**[_]** (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 dependent on such matters.

The City shall provide the Underwriters, within seven (7) business days after the date hereof, with the Official Statement in a form that permits the Underwriters to comply with Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("*MSRB*"), which Official Statement shall be in the form of the Preliminary Official Statement with such changes thereto as are necessary to reflect the sale of the Certificates or as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative. 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 the MSRB on its Electronic Municipal Market Access (EMMA) system in accordance with Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the "*Official Statement*."

Section 3. Authorization 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*") adopted by the Board of Supervisors of the City (the "*Board of Supervisors*") on **[_____]** and signed by the Mayor of the City on **[_____]**.

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 **[n]**th Supplement to Project Lease and the [**n**]th Supplement to Project Lease, each dated as of **[_____, 202_]**, by and between the City and the Trustee (together, the "*Supplements to Project Lease*" and collectively 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 **[n]**th Supplement to Property Lease and the [**n**]th Supplement to Property Lease, each dated as of **[_____, 202_]**, by and between the City and the Trustee (together, the "*Supplements to Property Lease*" and collectively 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 refinance certain capital improvement projects within City, including through the retirement of certain commercial paper notes of the City issued for such purpose, generally consisting of street resurfacing and curb ramp improvements; and (ii) pay the costs of execution and delivery 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 appropriates therefor.

This Purchase Contract, the Trust Agreement, the Project Lease, the 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, unless otherwise stated:

(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 at a duly noticed public meeting at which a quorum was present and acting throughout and has approved the Preliminary Official Statement and the Official Statement; the Ordinance is in full force and effect and has 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, to the extent applicable as of the date hereof.

(b) As of its date and as of the date hereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("*DTC*") and its book-entry only system, as to which the City expresses no view) 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 up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12) but in no event for more than 25 days after the Closing Date, the Official Statement (except for information regarding DTC and its book-entry only system, as to which the City expresses no view) 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, as to which the City expresses no view) 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.

(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.

(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, or the tax-exempt status of interest on, 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 effect 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, and the Certificates when duly executed and authenticated, 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 over 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, 202**[_]**, set forth as an Appendix to the Preliminary Official Statement and the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Preliminary Official Statement and the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(l) The City 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 (the "*Continuing Disclosure Certificate*"). An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not failed to comply in any material respect with its continuing disclosure obligations under Rule 15c2-12 in the last five (5) years.

(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 Tax Resolution, provide to the City a Business Tax Registration Certificate on or prior to the date hereof.

(c) It shall comply with San Francisco Labor and Employment Code Articles 131 and 132, 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.

(f) It shall comply with the City Contracting Requirements, as set forth in Attachment A, which are incorporated herein by this reference.

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 or at yields greater than the yields set forth therein (but in all cases subject to the requirements of this Section 6). 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 agrees 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.

(1) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Tax-Exempt 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 (as hereinafter defined), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Tax-Exempt Certificates. All actions to be taken by the City under this section to establish the issue price of the Tax-Exempt Certificates may be taken on behalf of the City by its Municipal Advisor (as hereinafter defined), and any notice or report provided to the City may be provided to the Municipal Advisor.

(2) Except as otherwise set forth in Schedule I attached hereto, the City will treat the first price at which 10% of each maturity of the Tax-Exempt Certificates (the "*10% test*") is sold to the public as the issue price of that maturity. 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 Tax-Exempt Certificates. For purposes of this section, if Tax-Exempt Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Tax-Exempt Certificates.

(3) The Representative confirms that the Underwriters have offered the Tax-Exempt 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 Schedule I. Schedule I also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Tax-Exempt 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 Tax-Exempt Certificates, the Underwriters will neither offer nor sell unsold Tax-Exempt 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 ($5^{th}$) business day after the sale date; or

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

The Representative will advise the City promptly after the close of the fifth (5th) business day after the sale date whether the Underwriters have sold 10% of that maturity of the Tax-Exempt Certificates to the public at a price that is no higher than the initial offering price to the public.

(4) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Tax-Exempt 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 third-party distribution agreement, as applicable, to:

(A) (1) report the prices at which it sells to the public the unsold Tax-Exempt Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Tax-Exempt Certificates of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Tax-Exempt Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (2) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires;

(B) promptly notify the Representative of any sales of Tax-Exempt Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter (as defined below in Section 6(c)(6)(ii)) participating in the initial sale of the Tax-Exempt Certificates to the public (each such term being used as defined below); and

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

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

(5) The City acknowledges that, in making the representations set forth in this Section Section 6(c), the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Tax-Exempt Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Certificates, 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 Tax-Exempt Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Tax-Exempt Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Certificates, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was utilized in connection with the initial sale of the Tax-Exempt Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Tax-Exempt Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Tax-Exempt Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Certificates, 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 third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Tax-Exempt Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Tax-Exempt Certificates.

(6) The Underwriters acknowledge that sales of any Tax-Exempt Certificates to any person that is a related party to an underwriter participating in the initial sale of the Tax-Exempt Certificates to the public shall not constitute sales to the public for purposes of this section. Further, for purposes of this Section 6(c):

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

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

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

(iv) "*sale date*" means the date of execution of this Purchase Contract by all parties.

Section 7. Closing. At **[___]** a.m., California time, on **[_____]**, 202**[_]**, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "*Closing Date*"), 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(e); 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 Husch Blackwell LLP, "*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 ("*FAST*"), 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. The Underwriters' obligations under this Purchase Contract are also subject to the following conditions:

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

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

(c) all actions of the City required to be taken by the City prior to or as of the Closing Date, in connection with the execution and delivery of the Certificates in order for Co-Special Counsel, Co-Disclosure Counsel (as hereinafter defined) and the City Attorney of the City to deliver their respective opinions referred to herein shall be performed;

(d) (1) the Underwriters shall have the right to cancel their obligation to purchase the Certificates by written notification from the Representative to the City, but only after consultation with the City (which consultation shall include discussion of materiality and consideration of the feasibility of other options in lieu of cancellation, which may include, without limitation, rescheduling the sale date), 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 judgement of the Representative, after consultation with the City as provided above, would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability 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) any event shall have occurred or any fact or condition shall have become known which, in the sole reasonable judgment of the Underwriters following consultation with the City, Co-Special Counsel and Co-Disclosure Counsel, either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to

make the statements and information contained therein not misleading in any material respect and in either such case, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Certificates or the ability of the Underwriters to enforce contracts for the sale of the Certificates;

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

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

(vi) 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, Inc., S&P Global Ratings, and Fitch Ratings, Inc. or any other national rating service to any of the City's obligations (including the ratings to be accorded the Certificates);

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

(viii) 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 Property Lease 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;

(ix) 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;

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

(xi) 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;

(xii) there shall have occurred or any notice shall have been given of any downgrading by any national rating service to any of the City's certificates of participation; or

(xiii) 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.

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

(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 Ratings, 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 9 of this Purchase Contract shall continue in full force and effect.

Section 9. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 9(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, Co-Disclosure Counsel as well as those of KNN Public Finance, LLC, Berkeley, California (the "*Municipal Advisor*"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the 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. The City shall pay for any expenses incurred on behalf of its employees which are directly related to the offering of the Certificates, including, but not limited to, meals, transportation, and lodging of those employees. The City acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance 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 and those expenses referenced in Section 5(e). The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Certificates.

Section 10. 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 below 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 at the address set forth below:

If to the City:

City and County of San Francisco
Office of Public Finance
City Hall, Room 338
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 11. 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: (a) any investigations made by or on behalf of the Underwriters; (b) delivery of and payment for the Certificates, pursuant to this Purchase Contract; and (c) any termination of this Purchase Contract.

Section 12. 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 13. 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 14. 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 15. Reserved.

Section 16. Headings. The Section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 17. 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, as of their applicable date, 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 18. No Fiduciary or Advisory Role; Arm's Length Transaction. The Underwriters and the City acknowledge and agree that (a) 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, (b) 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, (c) 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), (d) 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 (e) 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.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

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,

**[_____]**, as Representative of the Underwriters

By:_____
**[_____]**
**[_____]**

CITY AND COUNTY OF SAN FRANCISCO

By:_____
Greg Wagner
Controller

ACCEPTED at _____ a.m./p.m. Pacific Time this **[__]** day of **[_____]**, 202**[_]**

APPROVED AS TO FORM:

DAVID CHIU,
CITY ATTORNEY

By: _____
[MARK D. BLAKE]
Deputy City Attorney

# ATTACHMENT A

## CITY CONTRACTING REQUIREMENTS

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 A shall have the meanings given in this Purchase Contract.

1. Nondiscrimination Requirements.

(a) *Nondiscrimination in Contracts.* The Underwriters shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. The Underwriters shall incorporate by reference in all subcontracts the provisions of Sections 131.2(a), 131.2(c)-(k), and 132.3 of the San Francisco Labor and Employment Code and shall require all subcontractors to comply with such provisions. The Underwriters are subject to the enforcement and penalty provisions in Articles 131 and 132 and the Underwriters shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. The Underwriters shall incorporate by reference in all subcontracts the provisions of Sections 131.2(a), 131.2(c)-(k), and 132.3 of the San Francisco Labor and Employment Code and shall require all subcontractors to comply with such provisions. The Underwriters are subject to the enforcement and penalty provisions in Articles 131 and 132.

(b) *Nondiscrimination in the Provision of Employee Benefits.* San Francisco Labor and Employment Code Article 131.2 applies to this Purchase Contract. The Underwriters do not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, in any of their operations in San Francisco, on real property owned by San Francisco, or where work is being performed for 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 Labor and Employment Code Article 131.2.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code Chapter 12F are incorporated herein by this reference and made part of this Purchase Contract. By signing this Purchase Contract, each of the Underwriters confirms that the Underwriters have read and understood that 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. Pursuant to San Francisco Environment Code Section 804(b), the City urges the Underwriters 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 the Underwriters to remove from, the City facilities personnel of the Underwriters or subcontractor 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 the 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, the 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 Laws Requiring Access for People with Disabilities. Each of the Underwriters acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to people with disabilities. The Underwriters shall provide the services specified in this Purchase Contract in a manner that complies with the ADA and all other applicable federal, state and local disability rights legislation. Each of the Underwriters agrees not to discriminate against people with disabilities in the provision of services, benefits or activities provided under this Purchase Contract and further agrees that any violation of this prohibition on the part of the Underwriters, their employees, agents or assigns will constitute a material breach of this Purchase Contract.

6. Sunshine Ordinance. Each of the Underwriters acknowledges that this Purchase Contract and all records related to its formation, the Underwriters' performance of services pursuant to this Purchase Contract, and the City's payment are subject to the California Public Records Act, (California Government Code § 7920 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 of the Underwriters acknowledges its obligations under Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, for a grant, loan or loan guarantee, or for a development Purchase Contract, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves; (ii) a candidate for that City elective office; or (iii) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of each of the Underwriters' board of directors; each of the Underwriters' chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than ten percent (10%) in any of the Underwriters; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by any of the Underwriters. Each of the Underwriters certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting.

8. Minimum Compensation Ordinance. Labor and Employment Code Article 111 applies to this Purchase Contract. Each of the Underwriters shall pay covered employees no less than the minimum compensation required by San Francisco Labor and Employment Code Article 111, including a minimum hourly gross compensation, compensated time off, and uncompensated time off. Each of the Underwriters is subject to the enforcement and penalty provisions in Article 111. Information about and the text of Article 111 is available on the web at http://sfgov.org/olse/mco. Each of the Underwriters is required to comply with all of the applicable provisions of Article 111, irrespective of the listing of obligations in this Section. By signing and executing this Purchase Contract, each of the Underwriters certifies that it complies with Article 111.

9. Requiring Health Benefits for Covered Employees. Labor and Employment Code Article 121 applies to this contract. Each of the Underwriters shall comply with the requirements of Article 121. For each Covered Employee, the Underwriters shall provide the appropriate health benefit set forth in Article 121.3 of the HCAO. If any of the Underwriters chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission. Information about and the text of Article 121, as well as the Health Commission's minimum standards, is available on the web at http://sfgov.org/olse/hcao. Each of the Underwriters is subject to the enforcement and penalty provisions in Article 121.

10. Prohibition on Use of Public Funds for Political Activity. In performing services pursuant to this Purchase Contract, each of the Underwriters 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 of the Underwriters 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 the Underwriters within the meaning of San Francisco Administrative Code Chapter 12M, each of the Underwriters shall use such information only in accordance with the restrictions stated in Chapter 12M and in this Purchase Contract and only as necessary in performing the services pursuant to this Purchase Contract. Each of the Underwriters is subject to the enforcement and penalty provisions in Chapter 12M.

In the performance of its services, the Underwriters may have access to, or collect on the City's behalf, City Data, which may include proprietary or Confidential Information that if disclosed to third parties may damage the City. If City discloses proprietary or Confidential Information to Underwriters, or Underwriters collect such information on the City's behalf, such information must be held by Underwriters in confidence and used only in performing the Purchase Contract. Each of the Underwriters 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 of the Underwriters agrees to comply fully with and be bound by all of the provisions of Article 142, "City Contractor/Subcontractor Consideration of Criminal History in Hiring and

Employment Decisions," of the San Francisco Labor and Employment Code ("Article 142"), including the remedies provided, and implementing regulations, as may be amended from time to time. The provisions of Article 142 are incorporated by reference and made a part of this Purchase Contract as though fully set forth herein. The text of Article 142 is available on the web at http://sfgov.org/olse/fco. The Underwriters are required to comply with all of the applicable provisions of Article 142, 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 Article 142.

The requirements of Article 142 shall only apply to the Underwriters' 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. Article 142 shall not apply when the application in a particular context would conflict with federal or state law or with a requirement of a government agency implementing federal or state law.

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code Section 21.35, including the enforcement and penalty provisions, is incorporated into this Purchase Contract. Any contractor or subcontractor who submits a false claim shall be liable to the City for the statutory penalties set forth in that section.

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

15. Food Service Waste Reduction Requirements. The Underwriters 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 remedies for noncompliance provided therein.

16. Laws Incorporated by Reference. The full text of the laws listed in this Exhibit, including enforcement and penalty provisions, are incorporated by reference into this Purchase Contract. The full text of the San Francisco Municipal Code provisions incorporated by reference in this Exhibit and elsewhere in the Purchase Contract ("Mandatory City Requirements") are available at http://www.amlegal.com/codes/client/san-francisco_ca/.

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

18. Prevailing Wages. Services to be performed by the Underwriters under this Purchase Contract may involve the performance of work covered by the California Labor Code Sections 1720 and 1782, as incorporated within Section 6.22(e) of the San Francisco Administrative Code, or San Francisco Administrative Code Chapter 102 (collectively, "Covered Services"), which is incorporated into this Purchase Contract as if fully set forth herein and will apply to any Covered Services performed by the Underwriters.

19. Assignment. The Services to be performed by the Underwriters are personal in character. This Purchase Contract may not be directly or indirectly assigned, novated, or otherwise transferred 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.

20. Cooperative Drafting. This Purchase Contract has been drafted through a cooperative effort of the City and the Underwriters, and all of the 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.

**SCHEDULE I**

**$[_____]**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

**MATURITY SCHEDULE**

| Certificate Payment Date ([April] 1) | Principal Amount | Interest Rate | Yield | Initial Offering Price | 10% Test Used† | Hold the Offering Price Rule Used†† |
|---|---|---|---|---|---|---|
| [_____] | $ | % | % | [_____] | [_____] | [_____] |

---

[C] Yield to the par call date of **[_____]**.
[T] Term bonds.]
† The maturities identified in this column for which the 10% test is used are the "General Rule Maturities."
†† The maturities identified in this column for which the hold-the-offering-price rule is used are the "Hold-the-Offering-Price Maturities."

***Optional Prepayment.*** The 202[__] Certificates with a Certificate Payment Date on or before [_____] 1, 20[__] will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 202[__] Certificates with a Certificate Payment Date on or after [_____] 1, 20[__] are subject to optional prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after [_____] 1, 20[__], at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the 202[__] 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, in 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 Base Rental Fund pursuant to the 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 will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Outstanding Certificates.

***Mandatory Sinking Account Installment Prepayment.*** The 202[__] 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, 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 of such 202[__] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|
| [__] | [__] |

_____

† Certificate Payment Date.

**$[_____]**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(FEDERALLY TAXABLE)**

**MATURITY SCHEDULE**

| Certificate Payment Date | Principal Amount | Interest Rate | Yield | Initial Offering Price |
|---|---|---|---|---|
| [_____] | $ | % | % | [_____] |

_____

[C] Yield to the par call date of **[_____]**.
[[T] Term bonds.]

***Optional Prepayment.*** The 202[__] Certificates with a Certificate Payment Date on or before [_____] 1, 20[__] will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 202[__] Certificates with a Certificate Payment Date on or after [_____] 1, 20[__] are subject to optional prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after [_____] 1, 20[__], at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the 202[__] 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, in 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 Base Rental Fund pursuant to the 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 will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Outstanding Certificates.

***Mandatory Sinking Account Installment Prepayment.*** The 202[__] 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, 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 of such 202[__] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|
| [__] | [__] |

† Certificate Payment Date.

**EXHIBIT A**

**FORM OF ISSUE PRICE CERTIFICATE**

Pertaining to

**$[_____]**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

**UNDERWRITER'S CERTIFICATE**

[Representative] ("[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.

The signer is an officer of the Underwriter and duly authorized to execute and deliver this Certificate of the Underwriter. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the 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 City 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 Certificates, and by Squire Patton Boggs (US) LLP and Husch Blackwell LLP, as Co-Special Counsel, in connection with rendering its opinion that the interest on the Certificates 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 City from time to time relating to the Certificates.

Dated: [ISSUE DATE]

[_____]

By:_____

Title:_____

**EXHIBIT B**

**FORM OF CERTIFICATE OF THE CITY**

| | |
|---|---|
| **$[_____]**<br>**CERTIFICATES OF PARTICIPATION**<br>**SERIES 202[__]**<br>**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**<br>**(TAX-EXEMPT)** | **$[_____]**<br>**CERTIFICATES OF PARTICIPATION**<br>**SERIES 202[__]**<br>**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**<br>**(FEDERALLY TAXABLE)** |

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 Purchase Contract, dated **[_____]**, 202**[_]** (the "Purchase Contract"), between the City and **[_____]**, acting on its behalf and on behalf of **[_____]**, as underwriters, and the Continuing Disclosure Certificate. The Continuing Disclosure Certificate, the Trust Agreement, the Project Lease, the Property Lease, 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, 202__]**, 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.

| Name | Office | Signature |
|---|---|---|
| | | |
| | | |

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 the Official Statement and is authorized to perform the obligations on its part to be performed

under the City Documents, and each of the City Documents constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms.

5. Except for any information about book-entry or The Depository Trust Company, included therein, as to which we express no opinion or view, the Preliminary Official Statement, except for information permitted by Rule 15c2-12 to be omitted therefrom, as of its date and as of **[_____, 202_]** and 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 Leased Property 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 in writing against the City or involving any of the property or assets under the control of the City, including, without limitation, the Leased Property 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 Leased Property.

9. The City does hereby certify that Ordinance **[_____]**, adopted by the Board of Supervisors of the City on **[_____]** and signed by the Mayor of the City on **[_____]**, 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: _____ __, 202**[_]**. _____

**EXHIBIT C**

**FORM OF OPINION OF CITY ATTORNEY**

[TO COME]

**EXHIBIT D**

**FORM OF SUPPLEMENTAL OPINION OF CO-SPECIAL COUNSEL**

[TO COME]

**EXHIBIT E**

**FORM OF NEGATIVE ASSURANCE LETTERS**

[TO COME]

**NOTICE OF INTENTION TO SELL**

**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**

consisting of

| | |
|---|---|
| **$[_____]*** | **$[_____]*** |
| **CERTIFICATES OF PARTICIPATION** | **CERTIFICATES OF PARTICIPATION** |
| **SERIES 202[__][A]** | **SERIES 202[__][B]** |
| **(MULTIPLE CAPITAL** | **(MULTIPLE CAPITAL** |
| **IMPROVEMENT PROJECTS)** | **IMPROVEMENT PROJECTS)** |
| **(TAX-EXEMPT)** | **(FEDERALLY TAXABLE)** |

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

**[_____], [_____], 202[_]**

| | |
|---|---|
| **at [__] a.m.*** | **at [__] a.m.*** |
| **(California time)** | **(California time)** |
| **Series 202[__][A]** | **Series 202[__][B]** |

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

by electronic bids **only** through S&P Global's BiDCOMP™/PARITY® Competitive Bidding System ("*Parity*").

The City reserves the right to postpone or cancel the sale of the Certificates or any series thereof 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. If no bid is awarded for any series of the Certificates, the City may reschedule the sale of such series 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 **[_____]**, 202**[_]** (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 **[_____]**, 202**[_]** (the "*Preliminary Official Statement*"), and the Official Notice of Sale are expected to be available electronically through **[Printer] at [Printer Website]** on or around **[_____]**, 202**[_]**, and may also be obtained electronically from the City's Municipal Advisor: KNN Public Finance, LLC, 2054 University Avenue, Suite 300, Berkeley, California 94704, telephone (510) 208-8288, attention: **[_____]** (email: **[_____]**@knninc.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

* Preliminary, subject to change.

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 affect such bid or change the ranking of the bids.

Dated: **[_____]**, 202**[_]**

# OFFICIAL NOTICE OF SALE

_____

## CITY AND COUNTY OF SAN FRANCISCO
## CERTIFICATES OF PARTICIPATION

consisting of

**$[_____]***
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__][A]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

**$[_____]***
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__][B]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(FEDERALLY TAXABLE)**

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: | **[_____]**, 202**[_]*** (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale) |
| TIME: | **[_:__]** a.m.*, California time for the Series 202[__][A] Certificates<br><br>**[_:__]** a.m.*, California time for the Series 202[__][B] Certificates |
| PLACE: | S&P Global's BiDCOMP™/PARITY® Competitive Bidding System at https://newissue.muni.spglobal.com |
| DELIVERY DATE: | **[_____]**, 202**[__]*** |

* Preliminary, subject to change.

**OFFICIAL NOTICE OF SALE**

_____

**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**

consisting of

| **$[_____]*** | **$[_____]*** |
|---|---|
| **CERTIFICATES OF PARTICIPATION SERIES 202[__][A] (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (TAX-EXEMPT)** | **CERTIFICATES OF PARTICIPATION SERIES 202[__][B] (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (FEDERALLY TAXABLE)** |

NOTICE IS HEREBY GIVEN that electronic bids will be received through S&P Global's BiDCOMP™/PARITY® Competitive Bidding System ("**Parity**") at https://newissue.muni.spglobal.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**" and individually each series thereof, a "**Series**") 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 **[_____]**, 202**[__]** (the "**Preliminary Official Statement**").

**Time**: Bids for the Series 202**[__]**[A] Certificates must be received electronically by **[_:__] a.m., California time, on [_____], 202[__]** (subject to postponement or cancellation in accordance with this Official Notice of Sale).

Bids for the Series 202**[__]**[B] Certificates must be received electronically by **[_:__] a.m., California time, on [_____], 202[__]** (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 FOR THE CERTIFICATES OR ANY SERIES THEREOF ON [_____], 202[__] MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR**

* Preliminary, subject to change.

**CANCELLATION WILL BE COMMUNICATED BY OR ON BEHALF OF 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/or 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:

KNN Public Finance, Inc. LLC
2054 University Avenue, Suite 300
Berkeley, CA 94704
Telephone: **[____]**
Attention: **[_____]**
Email: **[_____]**@knninc.com

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

The City reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amount of any serial maturity or sinking account installment prepayment for any Series of 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. Each Series of 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 such Series of the Certificates (the "**Purchaser**"), all dated the date of delivery, which is expected to be **[_____]**, 202**[__]***. 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 **[_____, 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 360-day year, 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

*Preliminary, subject to change.

(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 Tax-Exempt Certificates. 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 adjustments as provided in this Official Notice of Sale (see – Adjustment of Principal Payments"), the principal evidenced and represented by the Series 202[__][A] Certificates (the "**Tax-Exempt Certificates**") shall be payable on [April] 1 of each year, or upon prepayment prior thereto, as shown below, 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] of each such year. **Bidders for the Tax-Exempt Certificates will provide bids for all of the Principal Amounts for said Series.**

| **Certificate Payment Date ([April] 1)** | **Principal Amount*** |
|---|---|
| TOTAL | |

Principal Payments of the Taxable Certificates. 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 adjustments as provided in this Official Notice of Sale (see – Adjustment of Principal Payments"), the principal evidenced and represented by the Series 202[__][B] Certificates (the "**Taxable Certificates**") shall be payable on [April] 1 of each year, or upon prepayment prior thereto, as shown below, 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] of each such year. **Bidders for the Taxable Certificates will provide bids for all of the Principal Amounts for said Series.**

* Preliminary, subject to change.

| Certificate Payment Date ([April] 1) | Principal Amount* |
|---|---|
| | |
| TOTAL | |

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above for a Series of the Certificates after the determination of the winning bidder therefor, by adjusting one or more of the principal payments of such Series 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 a Series of the Certificates shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for such Series of 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.**

**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 any Series of 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 A SERIES OF 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 FOR ANY REASON, INCLUDING AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.**

Prepayment of the Tax-Exempt Certificates.*

(i) Optional Prepayment of the Tax-Exempt Certificates. The Tax-Exempt 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 Tax-Exempt Certificates with a Certificate Payment Date on or after [April] 1, 20[__] are subject to optional

* Preliminary, subject to change.

prepayment prior to their respective 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 Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the Tax-Exempt Certificates 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 Tax-Exempt Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, in 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 Base Rental Fund pursuant to the 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 will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Outstanding Certificates. See the Preliminary Official Statement – "THE CERTIFICATES – Prepayment of the Certificates – *Special Mandatory Prepayment*."

(iii) Mandatory Sinking Account Installment Prepayment. The Tax-Exempt 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, 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 of such Tax-Exempt Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|
| | |
| | |

† Certificate Payment Date.

See the Preliminary Official Statement – "THE CERTIFICATES – Prepayment of the Certificates – *Mandatory Sinking Account Installment Prepayment*."

Prepayment of the Taxable Certificates.*

(i) Optional Prepayment of the Taxable Certificates. The Taxable 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 Taxable Certificates with a

* Preliminary, subject to change.

Certificate Payment Date on or after [_____] 1, 20[__] are subject to optional prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after [_____] 1, 20[__], at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the Taxable Certificates 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 Taxable Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, in 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 Base Rental Fund pursuant to the 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 will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Outstanding Certificates. See the Preliminary Official Statement – "THE CERTIFICATES – Prepayment of the Certificates – *Special Mandatory Prepayment*."

(iii) Mandatory Sinking Account Installment Prepayment. The Taxable 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, 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 of such Taxable Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|
| | |
| | |

(i) _____

† Certificate Payment Date.

See the Preliminary Official Statement – "THE CERTIFICATES – Prepayment of the Certificates – *Mandatory Sinking Account Installment Prepayment*."

Legal Opinions and Tax Matters. Upon delivery of the Certificates, Squire Patton Boggs (US) LLP and Husch Blackwell LLP, Co-Special Counsel to the City ("**Co-Special Counsel**"), will deliver their separate legal opinions as to the validity, enforceability and tax status of the Certificates.

The proposed form of the opinions 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 each Series of Certificates shall be for par or more; no net discount bids for any Series of Certificates will be accepted. No bid submitted at a price less than the aggregate par value of a Series of Certificates will be considered. Individual maturities of any Series of Certificates may be reoffered at par, a premium or a discount.

Form of Bids; Delivery of Bids. Each bid for a Series of Certificates must be: (1) for not less than all of a Series of Certificates offered for sale; (2) unconditional; and (3) submitted via Parity. Bids must be delivered by electronic transmission and conform to the procedures established by Parity. 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. All bids must be in accordance with the terms and conditions set forth in this Official Notice of Sale, together with any adjustments made by the City pursuant hereto. All bids shall be deemed to incorporate all of the terms of this Official Notice of Sale.

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

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

**Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Municipal Advisor or Co-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.**

**When a bidder submits an electronic bid for a Series of 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; (5) Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (6) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; and (7) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for a Series of Certificates or the interest rates for any maturity of such Series of 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 each Series of Certificates or rejecting all bids for a Series of 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 each Series of Certificates:

(1) The Municipal Advisor, 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, email to the City (in c/o its Municipal Advisor and to the City's Director of Public Finance at email addresses provided for such purpose) a signed copy of their bid;

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

(4) The Municipal Advisor will 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 email to the Apparent Winning Bidder its written final award (a "**Certificate of Award**").

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series of Certificates and will be contractually bound by the terms of this Official Notice of Sale to purchase such 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 Payments."

Basis of Award. Unless all bids are rejected, each Series of 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 such Series of Certificates to the dated date of such Series of Certificates, results in an amount equal to the principal amount of such Series of 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 a Series of Certificates at the same true interest cost, the City will determine by lot which bidder will be awarded such Series of 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 a Series of 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: (i) for the Tax-Exempt Certificates, $**[_____]**, and (ii) for the Taxable Certificates, $**[_____]** (each, a "**Good Faith Deposit**").

Upon the determination by the City of the Apparent Winning Bidder of a Series of Certificates, the Municipal Advisor will (i) provide to the Apparent Winning Bidder of such Series of Certificates the wire transfer information and (ii) request the Apparent Winning Bidder to immediately wire the Good Faith Deposit to the City. No later than ninety (90) minutes after the time the Municipal Advisor requests the Apparent Winning Bidder to wire the applicable Good Faith Deposit to the Trustee for the benefit of the City, the Apparent Winning Bidder of such Series of Certificates must wire the Good Faith Deposit to the Trustee and provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor. In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit to the Trustee or does not provide the Federal wire reference number of such Good Faith Deposit to the Municipal Advisor within the time specified above, the City may reject the bid of the Apparent Winning Bidder and award such Series of 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 on the Good Faith Deposit made by any bidder and the Good Faith Deposit of each Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit,

without interest thereon, will be credited against the purchase price of the Series of Certificates purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of a Series of Certificates, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to such 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 such Series of 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 such Series of Certificates by the Purchaser, the City reserves any and all rights granted by law to recover the full purchase price of such Series of Certificates and, in addition, any damages suffered by the City.

Reoffering Prices, Establishment of Issue Price and Issue Price Certificate.

(a) The winning bidder for the Tax-Exempt Certificates shall assist the City in establishing the issue price of the Tax-Exempt 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 Tax-Exempt Certificates the sales price or prices of each maturity of the Tax-Exempt Certificates, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Co-Special Counsel.

(b) The City intends that Treasury Regulation Sections 1.148-1(f)(2)(iii) and 1.148-1(f)(3)(i) (providing a special rule for competitive sales and defining the term "competitive sale" for purposes of establishing the issue price of the Tax-Exempt Certificates) will apply to the initial sale of the Tax-Exempt 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 intends to receive bids for the Tax-Exempt 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 Tax-Exempt Certificates to the bidder who submits a firm offer to purchase the Tax-Exempt Certificates at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) In the event that the competitive sale requirements are not satisfied with respect to the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Certificates satisfies the 10% test as of the date and time of the award of the Tax-Exempt Certificates. The City shall promptly advise the winning bidder, at or before the time of award of the Tax-Exempt Certificates, which maturities of the Tax-Exempt 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 Tax-Exempt Certificates. Bidders should prepare their bids on the assumption that some or all of the maturities of the Tax-Exempt Certificates will be subject to the hold-the-offering-price rule in order to establish the issue prices of the Tax-Exempt Certificates.

(d) By submitting a bid for the Tax-Exempt Certificates, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Tax-Exempt 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 Tax-Exempt Certificates, that the underwriters will neither offer nor sell unsold Tax-Exempt 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 ($5^{th}$) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Tax-Exempt 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 Tax-Exempt 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.

(e) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of such Tax-Exempt Certificates to the public, the agreement of each dealer that is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of such Tax-Exempt 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 third-party distribution agreement

and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Tax-Exempt Certificates.

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

(g) Sales of any Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Tax-Exempt Certificates to the public),

(iii) a purchaser of any of the Tax-Exempt 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 Tax-Exempt 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 any series of 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 any or all Series of 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's Office of Public Finance will take official action awarding each Series of Certificates or rejecting all bids with respect to each Series of Certificates not later than 30 hours after the time for receipt of bids for each Series of 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 [_____], 202[__]*.** Payment for the delivery of each Series of Certificates shall be coordinated at the offices of Squire Patton Boggs (US) LLP, in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Purchaser. Such payment and delivery is called the "Closing." Payment for the Certificates (including any premium) must be made at the time of delivery in immediately available funds to the Trustee for the benefit of the City. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser.

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 a Series of Certificates, the Purchaser assumes all responsibility for qualifying such Series of 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 such Series of 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 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, execution or delivery of the Certificates or any part thereof, or the entering into or performance by the City under the Trust Agreement, Property Lease or Project Lease, contesting the ability of the City to actually appropriate for and pay the Rental Payments as required by the Project Lease, or concerning the validity of the Certificates or 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.

* Preliminary; subject to change.

Right of Cancellation. A 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 its Good Faith Deposit, without interest thereon.

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

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.

CUSIP is a registered trademark of American Bankers Association. CUSIP data is provided by CUSIP Global Services which is managed by FactSet Research Systems Inc. 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 Purchaser. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), DTC charges and all other expenses of the winning bidder will be the responsibility of such Purchaser. 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 electronically transmitted to any potential bidder through **[Printer]** or upon request to the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Certificates, the Purchaser of each Series of Certificates will be furnished with an electronic copy of the final Official Statement, without charge, for distribution in connection with the resale of the Certificates. Printed copies of the Official Statement will be made available upon request, submitted to the Municipal Advisor no later than 24 hours after the time of receipt of bids, at the Purchaser's expense, for use in connection with any resale of the Certificates.

By submitting a bid for a Series of Certificates, the Purchaser of such Series of Certificates agrees to: (1) disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements; (2) promptly file a copy of the final Official

Statement, including any supplements, with the Municipal Securities Rulemaking Board; and (3) take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of such Series of Certificates to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases such Series of 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, each Purchaser will receive a certificate, signed by an authorized representative of the City, confirming to such 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 DTC 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 such 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 each Series of Certificates, the Purchaser of such Series of 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 such Series of Certificates as printed in the final Official Statement, and the Purchaser has made a bona fide offering of such Series of Certificates to the public at the prices and yields so shown.

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

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

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from **[Printer]** at **[Printer Website]** or electronically from the Municipal Advisor.

Dated: **[_____]**, 202**[__]**.

**EXHIBIT A-1**

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

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

**$[_____]***
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[__][A]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

**UNDERWRITER'S CERTIFICATE**

[-], ("**[**shortened name of lead underwriter**]") [**as Underwriter**] [**for itself and as representative of the Underwriters**]** 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 **[**shortened name of lead 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 the Underwriter in formulating its bid to purchase the Issue. Attached as Schedule A is a true and correct copy of the bid provided by the **[**shortened name of lead underwriter**]**to purchase the Issue.

(B) **[**shortened name of lead underwriter**]**was not given the opportunity to review other bids prior to submitting its bid.[1]

(C) The bid submitted by **[**shortened name of lead 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.

* Preliminary, subject to change.

[1] Treas. Reg. §1.148-1(f)(3)(i)(B) requires that all bidders have an equal opportunity to bid to purchase bonds. If the bidding process affords an equal opportunity for bidders to review other bids prior to submitting their bids, then this representation should be modified to describe the bidding process.

"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 third-party 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, and the remaining weighted average maturity of the Current Refunded Commercial Paper 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 **[**shortened name of lead 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 the Underwriter and duly authorized to execute and deliver this Certificate of the Underwriter. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the 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 Husch Blackwell LLP, 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 A-2**

**[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 202[__] [A]
(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)
(TAX-EXEMPT)**

**UNDERWRITER'S CERTIFICATE**

[-] ("**[**shortened name of lead underwriter**]**"), [as Underwriter] [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**.

**[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, the **[**name of underwriter**][**the Underwriting Group**]** offered the Maturities listed on Schedule A as the "Hold-the-Offering-Price

* Preliminary, subject to change.

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.

(C) As set forth in the Notice of Sale and bid award, **[[**name of underwriter**]** has**] [**the members of the Underwriting Group have**]** agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, **[**it**][**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 third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party 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**][**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 Notice of Sale and bid award, **[**name of underwriter**]** has**][**the members of the Underwriting Group have**]** agreed in writing that, (i) for each Maturity of the Issue, **[**it**][**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 third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party 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 the 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 third-party 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 and the remaining weighted average maturity of the Current Refunded Commercial Paper 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 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 the Underwriter and duly authorized to execute and deliver this Certificate of the Underwriter. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the 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 Husch Blackwell LLP, 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**]** [for itself and as representative of [names of other Underwriters]]

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 B**
**PRICING WIRE OR EQUIVALENT COMMUNICATION**
(*Attached*)**]**

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



**PRELIMINARY OFFICIAL STATEMENT DATED [_____ __], 202[_]**

**NEW ISSUE – BOOK-ENTRY ONLY**

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

*In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, as Co-Special Counsel, under existing law, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the 202[_][A] 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 imposed on individuals; (ii) interest on the 202[_][B] Certificates is not excluded from gross income for federal income tax purposes; and (iii) interest on the Certificates is exempt from State of California personal income taxes. Interest on 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 [A]]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 202[_][A]
(MULTIPLE CAPITAL
IMPROVEMENT PROJECTS)
(TAX-EXEMPT)**

**$[PAR AMOUNT [B]]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 202[_][B]
(MULTIPLE CAPITAL
IMPROVEMENT PROJECTS)
(FEDERALLY TAXABLE)**

**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 front cover page[s]**

*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 City and County of San Francisco Certificates of Participation, Series 202[_][A] (Multiple Capital Improvement Projects) (Tax-Exempt) (the "202[_][A] Certificates") and the City and County of San Francisco Certificates of Participation, Series 202[_][B] (Multiple Capital Improvement Projects) (Federally Taxable) (the "202[_][B] Certificates," and together with the 202[_][A] Certificates, the "Certificates") will be sold to provide funds to: (i) finance and refinance certain capital improvement projects within City and County of San Francisco (the "City"), as further described herein, including through the retirement of certain 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 "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2009, as previously supplemented and amended and to be supplemented and amended by that certain [nTH] Supplement to Trust Agreement, to be dated as of [_____] 1, 202[_] and relating to the 202[_][A] Certificates and that certain [nTH] Supplement to Trust Agreement, to be dated as of [_____] 1, 202[_] and relating to the 202[_][B] Certificates (as supplemented and amended, the "Trust Agreement"), by and between the City and U.S. Bank Trust Company, National Association, as successor in interest to 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 (as defined herein) payable by the City pursuant to a Project Lease, dated as of May 1, 2009, as previously supplemented and amended and to be supplemented and amended by that certain [nTH] Supplement to Project Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][A] Certificates and that certain [nTH] Supplement to Project Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][B] Certificates (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 (as defined herein) payments in its annual budget and to make necessary annual appropriations sufficient, in both time and amount, to pay, when due, the scheduled principal and interest represented by the Certificates. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget and Appropriate; Right to Re-Let." The obligation of the City to pay Base Rental is in consideration for its 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 or any portion thereof. See "CERTAIN RISK FACTORS – Abatement." The Leased Property will generally consist of the site and facilities of [(i) certain portions of the City's Laguna Honda Hospital, (ii) the San Bruno Complex and (iii) the One South Van Ness Avenue Property], each as further described herein. See "THE LEASED PROPERTY" herein. **Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.** See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES" 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 [_____] 1, 202[_]. Principal will be paid as shown on the inside front cover page[s] 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."**

* Preliminary, subject to change.

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 [_____ __], 202[_]**

[BIDS FOR THE PURCHASE OF THE [CERTIFICATES] WILL BE RECEIVED BY THE CITY AT [8:00] A.M. PACIFIC TIME ON [_____ __] 202[_]*, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [_____ __] 202[_]. See "SALE OF THE CERTIFICATES" herein.]

**MATURITY SCHEDULE[S]**
(See inside front cover page[s])

*The Certificates are offered when, as and if executed and received by the [Underwriters] [initial purchaser] of the Certificates, subject to the approval of the validity of the Project Lease by Squire Patton Boggs (US) LLP, San Francisco, California and Husch Blackwell LLP, 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 and Stradling Yocca Carlson & Rauth, LLP, Newport Beach, California, Co-Disclosure Counsel. [Certain legal matters will be passed upon for the Underwriters by [_____], [City], [State]]. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about [_____ __], 202[_].*

**[UNDERWRITER]** **[UNDERWRITER]**

Dated: [_____ __], 202[_]

**MATURITY SCHEDULE[S]***

**$[PAR AMOUNT [A]]**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[_][A]**
**(MULTIPLE CAPITAL**
**IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

(Base CUSIP† Number: 79765G)

| Certificate Payment Date ([April] 1) | Principal Amount | Interest Rate | Yield[1] | Price[1] | CUSIP† Suffix |
|---|---|---|---|---|---|

$_____ ____% Term Certificate due [April] 1, 20__; Yield: _____%; Price: _____; CUSIP†: 79765G ___

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* Preliminary, subject to change.

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1 [Reoffering yields and prices are furnished by the initial purchaser of the Certificates. The City takes no responsibility for the accuracy thereof.]

**$[PAR AMOUNT [B]]***
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[_][B]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(FEDERALLY TAXABLE)**

(Base CUSIP† Number: 79765G)

| Certificate Payment Date ([April] 1) | Principal Amount | Interest Rate | Price[1] | CUSIP† Suffix |
|---|---|---|---|---|

$_____ ____% Term Certificate due [April] 1, 20__; Price: _____; CUSIP†: 79765G ___

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* Preliminary, subject to change.

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1 [Reoffering prices are furnished by the initial purchaser of the Certificates. 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.

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

This Official Statement is submitted in connection with the 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] [initial purchaser] of the Certificates 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] [initial purchaser] of the Certificates may offer and sell the Certificates to certain dealers and dealer banks at yields higher or prices lower than the initial public offering yields and prices stated on the inside front cover page[s] hereof. Such initial public offering yields and prices may be changed from time to time by the [Underwriters] [initial purchaser] of the Certificates.

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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

**CITY AND COUNTY OF SAN FRANCISCO**

**MAYOR**

Daniel Lurie

**BOARD OF SUPERVISORS**

Rafael Mandelman, *Board President, District 8*

Connie Chan, *District 1*
Stephen Sherrill, *District 2*
Danny Sauter, *District 3*
Joel Engardio, *District 4*
Bilal Mahmood, *District 5*
Matt Dorsey, *District 6*
Myrna Melgar, *District 7*
Jackie Fielder, *District 9*
Shamann Walton, *District 10*
Chyanne Chen, *District 11*

**CITY ATTORNEY**

David Chiu

**CITY TREASURER**

José Cisneros

**OTHER CITY AND COUNTY OFFICIALS**

Carmen Chu, *City Administrator*
Greg Wagner, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

**PROFESSIONAL SERVICES**

*Co-Special Counsel*

Squire Patton Boggs (US) LLP
San Francisco, California

Husch Blackwell LLP
Oakland, California

*Municipal Advisor*

KNN Public Finance, LLC
Berkeley, California

*Co-Disclosure Counsel*

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth, LLP
Newport Beach, California

*Trustee*

U.S. Bank Trust Company, National Association
San Francisco, California

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

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**OFFICIAL STATEMENT**

**$[PAR AMOUNT [A]]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 202[_][A]
(MULTIPLE CAPITAL
IMPROVEMENT PROJECTS)
(TAX-EXEMPT)**

**$[PAR AMOUNT [B]]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
SERIES 202[_][B]
(MULTIPLE CAPITAL
IMPROVEMENT PROJECTS)
(FEDERALLY TAXABLE)**

**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 202[_][A] (Multiple Capital Improvement Projects) (Tax-Exempt) (the "202[_][A] Certificates") and the City and County of San Francisco Certificates of Participation, Series 202[_][B] (Multiple Capital Improvement Projects) (Federally Taxable) (the "202[_][B] Certificates," and together with the 202[_][A] Certificates, 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 of Certain Terms." 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 Trust Company, National Association, as successor in interest to U.S. Bank National Association (as trustee, the "Trustee"), under the Property Lease, dated as of May 1, 2009 (the "Original Property Lease"), by and between the City, as lessor, and the Trustee, as lessee, as previously supplemented and amended and to be supplemented and amended by that certain [nTH] Supplement to Property Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][A] Certificates (the "[nTH] Supplement to Property Lease") and that certain [nTH] Supplement to Property Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][B] Certificates (the "[nTH] Supplement to Property Lease") (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 to be supplemented and amended by that certain [nTH] Supplement to Project Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][A] Certificates (the "[nTH] Supplement to Project Lease") and that certain [nTH] Supplement to Project Lease, to be dated as of [_____] 1, 202[_] and relating to the 202[_][B] Certificates (the "[nTH] Supplement to Project Lease") (as so supplemented and amended, the "Project Lease").

The Leased Property will generally consist of the site and facilities of [(i) certain portions of the City's Laguna Honda Hospital (including the South Residence building, the North Residence building and the Pavilion building), (ii) the San Bruno Complex and (iii) the One South Van Ness Avenue Property,] each as further described herein. See "THE LEASED PROPERTY." The City will be obligated under the Project Lease to pay Base Rental and Additional Rental (each as defined in APPENDIX C: "SUMMARY OF

* Preliminary, subject to change.

CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS") 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 with the Trustee for payment of the Certificates. The Trustee will execute and deliver the "certificates of participation" in the Project Lease, representing proportional interests in the principal and interest components of the Base Rental payments it will receive from the City. The Trustee will apply the Base Rental payments 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 to be supplemented and amended by that certain [nTH] Supplement to Trust Agreement, to be dated as of [_____] 1, 202[_] relating to the 202[_][A] Certificates (the "[nTH] Supplement to Trust Agreement") and that certain [nTH] Supplement to Trust Agreement, to be dated as of [_____] 1, 202[_] relating to the 202[_][B] Certificates (the "[nTH] Supplement to Trust Agreement") (as so supplemented and amended, the "Trust Agreement"), which governs the security and terms of payment of the Certificates. **Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.** See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES" herein.

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 certain capital improvement projects within City, as further described herein, including through the retirement of certain 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" herein.

The Certificates will be delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property on a parity basis with certain outstanding certificates of participation of the City (as further described below, the "Prior Parity Certificates"). As of [_____ __], 202[_], the Prior Parity Certificates consist of the following certificates of participation of the City: (i) the $116,460,000 City and County of San Francisco Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the "2019-R1 Certificates"), outstanding in the aggregate principal amount of $[_____], (ii) the $70,640,000 City and County of San Francisco Refunding Certificates of Participation Series 2020-R1 (Multiple Capital Improvement Projects) (the "2020-R1 Certificates"), outstanding in the aggregate principal amount of $[_____], (iii) the $76,020,000 City and County of San Francisco Certificates of Participation Series 2021A (Multiple Capital Improvement Projects) (the "2021A Certificates"), outstanding in the aggregate principal amount of $[_____], (iv) the $103,410,000 City and County of San Francisco Certificates of Participation Series 2023A (Affordable Housing and Community Facilities Projects) (Federally Taxable) (the "2023A Certificates"), outstanding in the aggregate principal amount of $[_____], (v) the $80,040,000 City and County of San Francisco Certificates of Participation Series 2023B (Multiple Capital Improvement Projects) (Tax-Exempt) (the "2023B Certificates"), outstanding in the aggregate principal amount of $[_____], (vi) the $214,585,000 City and County of San Francisco Refunding Certificates of Participation Series 2024-R1 (Multiple Capital Improvement Projects) (Tax-Exempt) (the "2024-R1 Certificates"), outstanding in the aggregate principal amount of $[_____], and (vii) the $123,345,000 City and County of San Francisco Certificates of Participation Series 2024A (Multiple Capital Improvement Projects) (the "2024A Certificates"), outstanding in the aggregate principal amount of $[_____]. As of [_____ __], 202[_], the Prior Parity Certificates were outstanding in the aggregate principal amount of $[_____].

As of the date hereof, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City. Under these existing authorizations, $[_____] remained unissued as of [_____ __], 202[_], including up to $[_____] of such existing authorization attributable to the authorization for the Certificates. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Parity Obligations" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Board Authorized and Unissued Long-Term Certificates of Participation" for additional information on these authorizations. The City may decide not to execute and deliver all or any

portion of the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

***Guide to this Official Statement.*** The Project is described in the section "PLAN OF FINANCE." The Leased Property is described in the section "THE LEASED PROPERTY." The application of the proceeds of sale of the Certificates is described in the sections "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The terms of the Certificates, payment thereof and security therefor are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and its governance is provided in APPENDIX A. The City's most recent annual comprehensive 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 Ordinances (as defined herein) 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 338, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites and other materials 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, therefore, such materials are not incorporated herein by such references and are not 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 an hour's drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The California Department of Finance estimates the City's population as of [January 1, 2024 was 843,071].

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per capita personal income of the City for fiscal year 2023-24 was $167,542. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates approximately 64

elementary schools, 8 alternative learning schools serving grades transitional kindergarten through eight, 13 middle schools, 14 high schools, 11 early education schools, 6 County and Court schools, 3 continuation schools as of the 2024-25 academic year. SFUSD estimates that approximately 5,930 students will be enrolled at 11 fiscally independent charter schools that operate within SFUSD's boundaries for which SFUSD is the charter-approving agency. 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 UC College of the Law, San Francisco (formerly 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 California College of the Arts, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is a principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. 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 four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. [The City's FY25 & FY26 Original Budget (as defined in Appendix A) for fiscal years 2024-25 and 2025-26 totals approximately $15.9 billion and $15.6 billion, respectively. The General Fund portion of the FY25 & FY26 Original Budget is approximately $6.9 billion in fiscal year 2024-25 and $7.1 billion in fiscal year 2025-26, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC").] *[Budget details to be updated based on June budget release]* According to the Controller of the City (the "Controller"), at the start of fiscal year 2024-25, total net assessed valuation of taxable property in the City was approximately $351.3 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: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

## 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 [nTH] Supplement to Trust Agreement, the [nTH] Supplement to Property Lease and the [nTH] Supplement to Project Lease relating to the 202[_][A] Certificates and the [nTH] Supplement to Trust Agreement, the [nTH] Supplement to Property Lease and the [nTH] Supplement to Project Lease relating to the 202[_][B] Certificates were approved by the Board of Supervisors of the City by its Ordinance No. [____], finally passed on [_____ __], 2025 and signed by the Mayor on [_____ __], 2025 (the "Ordinance"). The Ordinance authorized the execution and delivery of the Certificates as Additional 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, because 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 judicial validation action has been pursued or is expected to be pursued with respect to the validity of the [nTH] Supplement to Project Lease, the [nTH] Supplement to Property Lease or the [nTH] Supplement to Trust Agreement relating to the 202[_][A] Certificates and the [nTH] Supplement to Project Lease, the [nTH] Supplement to Property Lease or the [nTH] Supplement to Trust Agreement relating to the 202[_][B] Certificates. 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 front cover page[s] 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] of each such year. Payment of the principal and premium, if any, of the Certificates upon prepayment or on 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, 202[_] (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 payments designated as interest components coming due on or prior to each of 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; provided, however, that payments of defaulted interest will be payable to the person in whose name such Certificate is registered at the close of business on a special

record date fixed therefor by the Trustee, which will not be more than 15 days and not less than 10 days prior to the date of the proposed payment of defaulted interest.

**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, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("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 202[_][A] Certificates with a Certificate Payment Date on or before [_____] 1, 20[__] will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 202[_][A] Certificates with a Certificate Payment Date on or after [_____] 1, 20[__] are subject to optional prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after [_____] 1, 20[__], at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the 202[_][A] Certificates to be prepaid plus accrued interest to the date fixed for prepayment, without premium.

The 202[_][B] Certificates with a Certificate Payment Date on or before [_____] 1, 20[__] will not be subject to optional prepayment prior to their respective stated Certificate Payment Dates. The 202[_][B] Certificates with a Certificate Payment Date on or after [_____] 1, 20[__] are subject to optional prepayment prior to their respective Certificate Payment Dates, in whole or in part on any date on or after [_____] 1, 20[__], at the option of the City, in the event the City exercises its option under the Project Lease to prepay the principal component of the Base Rental payments, at a Prepayment Price equal to 100% of the principal amount represented by the 202[_][B] 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, in 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 Base Rental Fund pursuant to the 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 will be applied pro rata among all certificates of participation outstanding under the Trust Agreement, including the Outstanding Certificates.

***Mandatory Sinking Account Installment Prepayment.*** The 202[_][A] 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, on each [April] 1, beginning [April] 1, 20__, in the amounts set

[*] Preliminary, subject to change.

forth below, from scheduled payments of the principal component of Base Rental payments, at the principal of such 202[_][A] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|

† Certificate Payment Date.

The 202[_][B] 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, 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 of such 202[_][B] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

| Sinking Account Prepayment Date ([April] 1) | Sinking Account Installment Amount |
|---|---|

† 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. Within a maturity, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner that 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 only 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 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 sufficiency of the proceedings for such prepayment.

***Conditional Notice of Prepayment; Cancellation of Optional Prepayment.*** The City may direct the Trustee to 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, on or prior to such date, 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. 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 will 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 will 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, 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 as described in this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay such 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

A portion of the proceeds of the Certificates will be used to finance and refinance the Project, which will generally consist of certain capital improvement projects of the City, including through the retirement of certain commercial paper notes of the City issued for such purposes. The Project includes, but is not limited to, [City street resurfacing and curb ramp improvements]. The City plans to also use the proceeds of the Certificates to pay costs in connection with the execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Project is not being leased under the Project Lease. See "LEASED PROPERTY" herein.

## THE LEASED PROPERTY

Upon the execution of the [nTH] Supplement to Property Lease, [nTH] Supplement to Project Lease, the [nTH] Supplement to Property Lease, and the [nTH] Supplement to Project Lease, the Leased Property (as further described below, the "Leased Property") will generally consist of the site and facilities of: [(i) the Pavilion building (formerly known as the Link building), the North Residence building (formerly known as the East Residence building) and the South Residence building on the campus of Laguna Honda Hospital, together with certain limited rights of ingress and egress and appurtenant rights (collectively, the "Laguna Honda Hospital Portion" of the Leased Property), (ii) that certain jail facility of the City located in San Bruno,

California (the "San Bruno Complex") and (iii) One South Van Ness Avenue, San Francisco, California (the "One South Van Ness Avenue Property")]. The Leased Property does not include the Project. See "PLAN OF FINANCE" herein.

***Laguna Honda Hospital Portion.*** Laguna Honda Hospital was established in 1866 as an almshouse for the City's poor and homeless. Laguna Honda Hospital is currently located at 375 Laguna Honda Boulevard in the City, and is operated by the City's Department of Public Health. In 2009, the City completed its Laguna Honda Hospital Replacement Program which included the construction of the Pavilion building, the North Residence building and the South Residence building. Together, these three buildings provide up to 660 patients, regardless of their ability to pay, with long-term care, including but not limited to skilled nursing, AIDS-related services, dementia services, hospice, rehabilitation and acute care. The City also provides adult day health care and senior nutrition programs through these facilities. The 62-acre Laguna Honda Hospital site is on property owned by the City and located on the western slopes of Twin Peaks, near the geographic center of the City, and the Laguna Honda Hospital Portion of the Leased Property represents only a portion of such site.

The Pavilion building is a 149,039-square foot, four-story building, housing offices, clinics and the mezzanine and space for other associated support activities of Laguna Honda Hospital. The Pavilion building is designed to accommodate 60 beds on one of its floors. The North Residence building is a 208,377-square foot, six-story building serving as hospital facilities. The North Residence building is designed to accommodate 420 beds on six floors. The South Residence building is a 156,993-square foot, six-story building serving as hospital facilities. The South Residence building is designed to accommodate 300 beds on five of its floors.

See "CERTAIN RISK FACTORS – Abatement" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Honda Hospital Medicaid and Medicare Recertification."

***San Bruno Complex.*** The San Bruno Complex sits on 158 acres of land located at 1 Moreland Drive, San Bruno, California. The San Bruno Complex is the City's largest jail facility and was constructed as a replacement facility for the then-existing jail on the site. The San Bruno Complex was completed in 2005. The 768-bed facility consists of 295,277 square feet, including a guard tower, an administrative services area, an attorney visiting area, staff exercise areas and locker rooms, a maintenance area and central plant, and a kitchen and laundry facility sufficient to accommodate both jail facilities.

***One South Van Ness Avenue Property.*** The One South Van Ness Avenue Property is located on the southeast corner of Van Ness Avenue and Market Street in San Francisco and has approximately 65,000 square feet of site area. An approximately 648,975 square foot, eight-story office building (plus mezzanine and basement) with a multi-level enclosed parking garage with capacity for approximately 120 automobiles (together, the "One South Van Ness Avenue Building") are situated on the site. Currently, the management of the parking garage at the One South Van Ness Avenue Building is contracted to Ace Parking Management, Inc. The One South Van Ness Avenue Building was built in 1960 and renovated in 1990.

The City currently leases 16,892 square feet on the first floor of the One South Van Ness Avenue Building to Bank of America N.A. The current lease term will expire on June 30, 2028. Under the lease, Bank of America N.A. has five-year renewal options, provided the extensions shall not extend beyond June 30, 2053. There are no other renewal options under the lease. The City currently provides 16,856 square feet on the fifth floor to the Office of Community Investment and Infrastructure under a Memorandum of Understanding.

[The City also allocates space to the following City departments under renewable Work Orders: the City's 311 Center - 16,937 square feet on the second floor; the Department of Human Resources - 62,478 square feet on the fourth floor; the Department of Telecommunications and Information Services - 36,604

square feet on the first and second floors; the Mayor's Office of Economic Workforce Development - 16,856 square feet on the fifth floor; the Mayor's Office of Housing and Community Development - 26,200 square feet on the fifth floor; the Office of Police Accountability - 17,761 square feet on the eighth floor; and the San Francisco Municipal Transportation Agency - 248,760 square feet on the first, third, sixth, seventh and eighth floors, basement and basement storage. The City also provides 16,597 square feet to tenants as common building amenities that can be rented on an as-needed basis. There are currently no vacancies and no anticipated changes in tenant composition. ] *[Updates to use mix?]*

A Phase I environmental site assessment for the One South Van Ness Avenue Property dated June 8, 2004 indicated that (i) the One South Van Ness Avenue Property contains two decommissioned 10,000-gallon diesel underground storage tanks which were filled with concrete slurry, closed in place in 1997, and received a notice of completion from the San Francisco Department of Public Health ("SFDPH"), and (ii) based on the date of construction, asbestos containing materials and lead-containing paint may be present in the One South Van Ness Avenue Property. Based on these conclusions, the assessment (i) stated that because the underground storage tanks were decommissioned in 1997 in accordance with applicable standards and to the approval of SFDPH, the issue is now considered a historical recognized environmental condition and a de minimis condition, (ii) recommended continued implementation of an existing operating and maintenance plan to manage any remaining known or assumed asbestos containing materials, (iii) recommended that prior to any significant remodeling or demolition, asbestos containing materials, if present, should be managed properly, and (iv) recommended that prior to any significant renovation or demolition activities, testing for lead-containing paint coatings should be performed in the areas to be disturbed so lead-containing paint, if present, can be property managed. The City has been actively monitoring and managing the foregoing environmental conditions; however, the presence of hazardous materials on the One South Van Ness Avenue Property or any of the other Leased Property could result in substantial interference with the City's right to use and occupy the Leased Property. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Base Rental Payments; Additional Rental" and "CERTAIN RISK FACTORS – Abatement." No other Phase I environmental site assessments have been conducted on the One South Van Ness Avenue Property since June 8, 2004.

Certain information regarding the Leased Property is summarized below.

**Summary of Certain Information Regarding the Leased Property**

| Facility | Address | Construction/ Major Renovation Date | Gross Square Feet (Building) | Estimated Value[(1)] |
|---|---|---|---|---|
| Laguna Honda Hospital[(2)] | 375 Laguna Honda Blvd., San Francisco, CA | 2009 | 513,409 | $[800,000,000][(3)] |
| San Bruno Complex | 1 Moreland Drive, San Bruno, CA | 2005 | 295,277 | [208,000,000][(4)] |
| One South Van Ness Avenue Property | 1 South Van Ness, San Francisco, CA | 1990 | 648,975 | [95,000,000][(5)] |
| Total | | | | $[1,103,000,000] |

(1) Such estimated values do not necessarily reflect the fair market value, or the actual sales price upon a sale or actual rent upon commercial leasing of the Leased Property. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES" herein.

(2) Includes the North Residence, South Residence, and the Pavilion Building.

(3) Based on the City's estimated valuation as of [October 16, 2024] using an income approach.
(4) Based on the City's estimated valuation as of [October 16, 2024] using an income and cost/replacement approach.
(5) Based on the City's estimated valuation as of [October 16, 2024] using a sales comparison approach.
*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) which policy, when combined with the policy or policies of title insurance issued in connection with the execution and delivery of the Prior Parity Certificates, shall be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and the then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, 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 such outstanding Prior Parity Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance," "– [nTH] Supplement to Project Lease" and "– [nTH] Supplement to Project Lease."

The City may designate additional property as Leased Property, or 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 or such portion thereof that is sought to be released from the Project Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Substitution, Release, and Addition of Leased Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

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:

| | 202[_][A] Certificates | 202[_][B] Certificates | Total |
|---|---|---|---|
| **Estimated Sources of Funds:** | | | |
| Par Amount | | | |
| [Net] Original Issue Premium | | | |
| **Total Sources** | | | |
| | | | |
| **Estimated Uses of Funds:** | | | |
| Repayment of Commercial Paper | | | |
| Deposit into Project Accounts (1) | | | |
| Costs of Delivery (2) | | | |
| **Total Uses** | | | |

(1) Of the amount deposited in the Project Accounts, $_____ of the proceeds of the Certificates (which total represents 0.2% of the Project Accounts for project costs) will be used to pay the Controller's City Services Auditor fee.
(2) Includes amounts for administrative costs to the City for the issuance of the Certificates, Underwriters' Discount, legal fees, Trustee/Escrow Agent fees and expenses, municipal advisory fees, rating agency fees, appraisals and property condition report fees, title insurance fees, printing costs and any other delivery costs, and rounding amounts.

## CERTIFICATE 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, on [April] 1 and [October] 1 of each year, commencing on [_____] 1, 202[_], to make interest payments or principal and interest payments, as applicable, with respect to the Certificates as the same become due and payable, as shown in the table below.

The Prior Parity 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 and the Prior Parity Certificates secured by Base Rental payments under the Project Lease:

| | 202[_][A] Certificates | | | 202[_][B] Certificates | | | | |
|---|---|---|---|---|---|---|---|---|
| **Payment Date** | **Principal** | **Interest** | **Total** | **Principal** | **Interest** | **Total** | **Parity Certificates Debt Service[(1)]** | **Total Fiscal Year Annual Debt Service** |
| 10/1/2024 | | | | | | | $22,683,392.78 | |
| 4/1/2025 | | | | | | | 44,408,905.83 | |
| 10/1/2025 | | | | | | | 26,515,000.00 | |
| 4/1/2026 | | | | | | | 40,570,450.00 | |
| 10/1/2026 | | | | | | | 26,187,200.00 | |
| 4/1/2027 | | | | | | | 40,867,625.00 | |
| 10/1/2027 | | | | | | | 25,839,250.00 | |
| 4/1/2028 | | | | | | | 41,233,975.00 | |
| 10/1/2028 | | | | | | | 25,537,025.00 | |
| 4/1/2029 | | | | | | | 41,504,850.00 | |
| 10/1/2029 | | | | | | | 25,235,550.00 | |
| 4/1/2030 | | | | | | | 41,801,450.00 | |
| 10/1/2030 | | | | | | | 24,924,925.00 | |
| 4/1/2031 | | | | | | | 42,120,025.00 | |
| 10/1/2031 | | | | | | | 24,588,750.00 | |
| 4/1/2032 | | | | | | | 33,195,150.00 | |
| 10/1/2032 | | | | | | | 24,348,312.50 | |
| 4/1/2033 | | | | | | | 33,393,187.50 | |
| 10/1/2033 | | | | | | | 24,101,156.25 | |
| 4/1/2034 | | | | | | | 33,631,731.25 | |
| 10/1/2034 | | | | | | | 16,963,743.75 | |
| 4/1/2035 | | | | | | | 31,678,143.75 | |
| 10/1/2035 | | | | | | | 16,657,193.75 | |
| 4/1/2036 | | | | | | | 29,808,743.75 | |
| 10/1/2036 | | | | | | | 16,369,043.75 | |
| 4/1/2037 | | | | | | | 27,808,671.88 | |
| 10/1/2037 | | | | | | | 16,124,646.88 | |
| 4/1/2038 | | | | | | | 28,036,946.88 | |
| 10/1/2038 | | | | | | | 15,878,246.88 | |
| 4/1/2039 | | | | | | | 28,279,887.51 | |
| 10/1/2039 | | | | | | | 15,625,212.51 | |
| 4/1/2040 | | | | | | | 28,528,593.76 | |
| 10/1/2040 | | | | | | | 15,409,543.76 | |
| 4/1/2041 | | | | | | | 28,730,775.01 | |
| 10/1/2041 | | | | | | | 15,191,725.01 | |
| 4/1/2042 | | | | | | | 16,122,675.00 | |
| 10/1/2042 | | | | | | | 15,330,575.00 | |
| 4/1/2043 | | | | | | | 15,981,531.25 | |
| 10/1/2043 | | | | | | | 15,485,781.25 | |
| 4/1/2044 | | | | | | | 15,828,675.00 | |
| 10/1/2044 | | | | | | | 138,900.00 | |
| 4/1/2045 | | | | | | | 7,083,900.00 | |
| **Total** | | | | | | | **$1,059,751,067.44** | |

(1) Includes debt service on the 2019-R1 Certificates, the 2020-R1 Certificates, the 2021A Certificates, the 2023A Certificates, the 2023B Certificates, the 2024-R1 Certificates and the 2024A Certificates.

## SECURITY AND SOURCE 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 of participation executed and delivered under the Trust Agreement, including the Certificates, 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, its rights with respect to and its interest in and to all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund pursuant to the Trust Agreement) including all Base Rental payments received by the Trustee from the City pursuant to the Project Lease, and any additional property that may from time to time be subjected to the lien of the Trust Agreement by the City or anyone on its behalf, subject only to the provisions of the Trust Agreement, the Property Lease and the Project Lease. 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 scheduled 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 basis with the Prior Parity Certificates described under "INTRODUCTION" and "CERTIFICATE PAYMENT SCHEDULE," and any Additional Certificates that may hereafter be issued pursuant to the requirements set forth in the Trust Agreement and the Project Lease. As of [_____ __], 202[_], the Prior Parity Certificates were outstanding in the aggregate principal amount of $[_____].

As of the date hereof, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City. Under these existing authorizations, $[_____] remained unissued as of [_____ __], 202[_], including $[_____] of such existing authorization attributable to the authorization for the Certificates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Board Authorized and Unissued Long-Term Certificates of Participation" for additional information on these authorizations. Any Additional Certificates to be issued under these authorizations will be secured by Base Rental payments relating to the Leased Property on a parity basis with the Certificates and the Prior Parity Certificates.

The City may decide not to execute and deliver all or a portion of the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

The City may designate additional property as components of the Leased Property, or substitute other improved real property for all or part of the Leased Property, under the conditions set forth in the Project Lease. See "THE LEASED PROPERTY" herein and "– Substitution, Release, and Addition of Leased Property" below.

**Covenant to Budget and Appropriate; 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 breaches its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and the City fails to remedy such breach with all reasonable dispatch within 60 days after written notice from the Trustee, or if such breach cannot be remedied within such 60-day period, the City fails to institute corrective action within such 60 day period and diligently pursue such action to completion, 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. Notwithstanding any other provision of the Project Lease or the Trust Agreement, in no event will the Trustee have any right to accelerate the payment of any Base Rental under the Project Lease, and 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."

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: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2024." 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 agrees in the Project Lease that 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 Project Lease provides that 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, and without abatement, subject only to the provisions of the Project Lease regarding rental abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement."

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, 202[_], 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. 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 and Appropriate; Right to Re-Let" above.

***Additional Rental.*** Additional Rental payments due from the City to the Trustee under the Project Lease include, among other things, all taxes and insurance premiums, all fees, costs and expenses of the Trustee in connection with the Trust Agreement not otherwise paid or provided for out of the proceeds of the sale of the Certificates, deposits required to be made to the Rebate Fund, if any, all other fees, costs and expenses of the Trustee incurred from time to time in administering the Project Lease and the Trust Agreement, and amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

**Abatement of Base Rental Payments**

Rental Payments will be subject to abatement during any period in which there is substantial interference with the right to the City's use and occupancy of the Leased Property or any portion thereof, 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 with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect, as applicable. 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 [_____] 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 with third party providers 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 (such amounts to be adjusted annually on or prior to October 1 of each year, to reflect the actual scheduled Base Rental payments due pursuant to the Project Lease for the next succeeding 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 except as described under "– Insurance with Respect to the Leased Property" below, and the City does not currently have earthquake or flood insurance on the Leased Property. 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 and other certificates of participation executed and delivered under the Trust Agreement. The City is also required by the Project Lease to use insurance proceeds to replace or repair Leased Property destroyed or damaged to the

* Preliminary, subject to change.

extent that there is substantial interference with the City's use and occupancy thereof, or to prepay certificates of participation outstanding under the Trust Agreement such that resulting Rental Payments are sufficient to pay all amounts due under the Project Lease and the Trust Agreement with respect to such certificates of participation 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 for the Certificates**

[No reserve account will be established for the Certificates.] The Trust Agreement allows a Reserve Account to be established for Additional Certificates.

The City has established a Reserve Account for the 2012A Certificates (the "2012A Reserve Account") and the 2021A Certificates (the "2021A Reserve Account"). Upon the prepayment of the 2012A Certificates using a portion of the proceeds of the Certificates, the 2012A Reserve Account will be terminated. Any amounts remaining in the 2012A Reserve Account will not be available for the payment of Base Rental payments due with respect to the Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." Amounts in the 2021A Reserve Account are not available for the payment of Base Rental payments due with respect to the Certificates. The Trust Agreement allows a Reserve Account to be established for Additional Certificates. See "– Additional Certificates" below.

**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 and the other certificates of participation executed and delivered under the Trust Agreement 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 of participation executed and delivered under the Trust Agreement, including the Certificates, insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all Outstanding certificates of participation executed and delivered under the Trust Agreement, including the Certificates, and to pay all other amounts due under the Project Lease and under the Trust Agreement or (ii) any portion of the Certificates and other certificates of participation executed and delivered under the Trust Agreement 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 of participation to remain Outstanding under the Trust Agreement, including the Certificates, 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 – The 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 reason of the 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 excess coverage or any other liability insurance coverage carried by the City; (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 of participation executed and delivered under the Trust Agreement, including the Certificates (to the extent commercially available), 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) to the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the certificates of participation executed and delivered under the Trust Agreement, including the Certificates; provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable cost on the open market from reputable insurance companies; (iv) 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 (v) 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 on or prior to October 1 of each year, 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) and (iii) above (such insurance shall not be subject to any deductible). 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) which policy, when combined with the policy or policies of title insurance issued in connection with the execution and delivery of the Prior Parity Certificates, shall be in an aggregate amount at least equal to the initial aggregate principal amount of the Certificates and the then-outstanding aggregate principal amounts of the Prior Parity Certificates, inclusive, 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 such outstanding Prior Parity Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Insurance," "– [nTH] Supplement to Project Lease" and "– [nTH] Supplement to Project Lease."

[The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease except as provided above, and the City does not currently have earthquake or flood insurance on the Leased Property or any portion thereof.]

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE, EXCEPT FOR RENTAL INTERRUPTION INSURANCE AND TITLE INSURANCE. The City may self-insure for all exposures for which the Project Lease permits self-insurance.

**Eminent Domain**

If 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, the Project Lease will terminate as of the later of the day possession is taken and the date of entry of the interlocutory judgment

and in either case, after payment of any Additional Rental owed under the Project Lease. Notwithstanding the foregoing, the City may, at its option, but is not obligated to, apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments will again begin to accrue with respect thereto upon replacement of the Leased Property. 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 the rental abatement provisions of the Project Lease.

The City will, within 90 days of the conclusion of the eminent domain proceeding, notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates, and other certificates of participation issued pursuant to the Trust Agreement and then Outstanding, will be prepaid in part. The proceedings of any condemnation award will as soon as possible be deposited with the Trustee and, to the extent necessary, will be applied to prepay Certificates and such other Outstanding certificates of participation or applied to the cost of replacement of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Trust Agreement – Eminent Domain" and "– The 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 "THE LEASED PROPERTY" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Addition, Release and Substitution."

**Additional Certificates**

As described in "– Parity Obligations" above, the City has authorized the execution and delivery of Additional Certificates to be executed and delivered under the Trust Agreement to finance various projects of the City in a total aggregate principal amount of up to $[_____]. Under these existing authorizations, $[_____] remained unissued as of [_____ __], 202[_], including $[_____] of such existing authorization attributable to the authorization for the Certificates. The City may decide not to execute and deliver the Additional Certificates remaining under these authorizations. The City may also authorize the execution and delivery of other Additional Certificates in the future.

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 basis with the Outstanding Certificates and Prior Parity Certificates, provided that, among other requirements, the Base Rental payable under the Project Lease, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates, the Outstanding Prior Parity Certificates and such Additional Certificates, and that the Base Rental thereunder is not in excess of the fair rental value of the Leased Property in each Project Lease Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease – Rental Payments." The City may designate additional property as Leased Property, or substitute other improved real property for all or part of the Leased Property, under the conditions set forth in the Project Lease. See "THE LEASED PROPERTY" herein.

## 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.

New information about the City's finances and operations and events impacting the City, both expected and unexpected, is frequently available throughout the year and the City cannot predict with certainty the timing or ultimate outcome of such matters or the impact of such matters on the City's finances. Such information and events expected in the coming weeks include, but are not limited to, [_____], which is expected in [_____], 202[_]. See "City Long-Term Financial Challenges," below, and see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" attached hereto.

### 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 will represent and will be payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Base Rental Fund to be 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.

### City Long-Term Financial Challenges

*[Discussion to be updated]*

The following discussion highlights certain 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). See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" attached hereto.

[The City continues to face material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to vacancies and declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), continued weakness in the local hospitality and convention industries (resulting in declines in hotel and sales taxes from pre-pandemic levels), reduced funding to the City in State budgets, potential losses from litigation challenging the City's business taxes, uncertainty about receipt of outstanding FEMA reimbursements and general economic conditions. The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the fourth quarter of 2019 to 34.5% in the third quarter of 2024. As further described in Appendix A hereto, the conditions discussed above have contributed to projected budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately $1.47 billion in fiscal year 2029-30.]

[In December 2024, the Mayor's Office issued budget instructions (the "FY26 Mayor's Budget Instructions"), which contained a preview summary of the findings in the December 2024 Five-Year Plan (as defined and described below), including the projected deficits described therein. The FY26 Mayor's Budget Instructions noted that, since the COVID pandemic, the City has relied heavily on one-time sources to balance recent budgets. These one-time sources include federal disaster relief, and use of General Fund reserves and fund balance. The FY26 Mayor's Budget Instructions noted that there is significant uncertainty with respect to receiving outstanding FEMA reimbursements. These one-time sources are expected to be depleted by the end of fiscal year 2027-28. The FY26 Mayor's Budget Instructions also identify particular risks including revenue losses to the City which may result from State financial difficulties, federal policies implemented by the incoming federal administration, and declining property values resulting from assessment appeals. In addition business tax appeals threaten over $400 million in business tax revenue. The FY26 Mayor's Budget Instructions also noted that health care costs escalation has increased, office vacancies remain elevated, and the hospitality industry recovery is slowing. As a result of the foregoing, the FY26 Mayor's Budget Instructions to departments direct ongoing, permanent spending reductions to the General Fund of 15% starting in fiscal year 2025-26, a re-examination of all contractual services and non-personnel expenditures, elimination of positions that are currently vacant, the consideration of future hiring freezes, and cessation of overnight and air travel for City employees. See Appendix A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Periodic Financial Reporting; Recent Reports" and " – City Budget – December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions."]

[On December 18, 2024, the Mayor's Office, Controller's Office and Board of Supervisors Budget and Legislative Analyst's Office issued the "Proposed Five-Year Financial Plan Fiscal Years 2025-26 through 2029-30" (the "December 2024 Five-Year Plan"). The City anticipates significant budget deficits in each of the next five years without proactive measures taken to address the imbalance between revenues and expenditures. The December 2024 Five-Year Plan projects that, over the next five years, the City's revenue outlook will improve, supported by recent changes in San Francisco's tax structure and modest economic growth. However, this improvement will be tempered by post-pandemic economic realities and the depletion of one-time funding sources. At the same time, the cost of City services is projected to grow significantly, surpassing revenue growth each year of the five-year period. The December 2024 Five-Year Plan states that City must develop and implement strategies to bridge the gap between projected revenues and expenditures, and that these strategies must be incorporated into the fiscal year 2025-26 and 2026-27 two-year budget and extended across the five-year period reflected in the December 2024 Five-Year Plan. The December 2024 Five-Year Plan notes that, unlike the significant budget shortfalls that followed the 2001 and 2008 recessions, the current outlook highlights longer-term structural challenges, even without the occurrence of another recession. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Periodic Financial Reporting; Recent Reports" and " – City Budget – December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions." ]

Significant capital investments are proposed in the City's most recently adopted 10-year capital plan for fiscal years 2024-2033, which sets forth approximately $41.4 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 $6.7 billion in capital needs, including enhancements, are deferred from the capital plan's 10-year horizon.]

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

that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

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

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

**Additional Obligations**

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 basis with the Outstanding Certificates and Prior Parity Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Project Lease" and " – Trust Agreement."

In addition, 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 for other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds." See also APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2024."

**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 and Additional 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 SOURCE OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

Under the Project Lease, 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 tenantable 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 [_____] 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

* Preliminary, subject to change.

such amounts become due. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property" and "– 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, and 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.

In March 2022, the City had a series of disputes with the Centers for Medicare and Medicaid Services ("CMS"), an agency within the federal Department of Health & Human Services, over conditions at Laguna Honda Hospital which potentially put federal funding at risk. In May 2023, the City, CMS, and the California Department of Public Health ("CDPH") reached an agreement in principle to settle ongoing administrative proceedings and federal court litigation. This settlement allowed Laguna Honda Hospital to continue to receive Medicare and Medicaid payments while addressing the quality improvements needed to ensure resident health and safety. The CDPH and the State's Department of Health Care Services approved Laguna Honda Hospital's recertification for Medicaid in August 2023 and CMS approved Laguna Honda Hospital's recertification for Medicare in June 2024. Laguna Honda Hospital is now fully recertified and will continue to receive Medicare and Medicaid payment. Laguna Honda Hospital will continue to be reviewed for compliance with conditions of participation in Medicare and Medicaid programs as is normal for facilities regulated by CMS and CDPH. See "CERTAIN RISK FACTORS – Abatement" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Honda Hospital Medicaid and Medicare Recertification."

Any loss of reimbursements from CMS would have had a material adverse impact on Laguna Honda Hospital's finances and operations. However, such loss of reimbursements would not have revoked Laguna Honda Hospital's license from CDPH to operate as a hospital, nor would it have interfered with the City's right to use and occupy Laguna Honda Hospital, including the Laguna Honda Hospital Portion of the Leased Property. As such, the City believes that had CMS terminated its contract with the City, such termination would not have caused the abatement of Base Rental payments as described in this section. See "CERTAIN RISK FACTORS – Abatement" and APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Honda Hospital Medicaid and Medicare Recertification."

**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 any component thereof might prove to be difficult or impossible. 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. Portions of Laguna Honda Hospital 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 Laguna Honda Hospital Portion of the Leased Property that is inconsistent with the public hospital purposes for which those bonds were approved. Further, certain improvements to Laguna Honda Hospital were funded by federal fund grants, which might impact the remedy of re-letting, as further described below. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget and Appropriate; Right to Re-Let." 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.

The construction and renovation of Laguna Honda Hospital 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, Laguna Honda Hospital is subject to the recovery provisions of the Public Health Service Act, which may limit the remedy of re-letting the Laguna Honda Hospital Portion of the Leased Property under the Project Lease.

**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 "– Bankruptcy" and APPENDIX F: "PROPOSED FORM OF CO-SPECIAL COUNSEL OPINION" herein.

**No Acceleration on Default**

In the event of a default, there is no remedy of acceleration of any Base Rental payments under 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 – The Project Lease – Addition, Release and Substitution." Although the Project Lease requires that the Leased Property, after such substitution, have an annual fair rental value at least equal to the maximum annual amount of the Base Rental payments becoming due in the then-current Project Lease Year or in any subsequent Project Lease Year, 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 or outside 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, if, for example, the substituted property is subject to certain restrictions on re-letting. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.

**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 "– 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), as amended (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.

In addition, if the Project Lease were 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 such 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.

**Seismic Risks**

***General.*** The City is located in a seismically active region. An earthquake could damage the Leased Property and/or negatively impact the finances and operations of the City. 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 except as described under "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property," 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, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

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

***Earthquake Safety Implementation Program ("ESIP").*** The ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety ("CAPSS"), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact of earthquakes to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City mandated the retrofit of nearly 5,000 soft-story buildings (i.e., generally, structures with structural weakness due to large openings in their perimeter walls and due to a lack of interior partition walls at the ground level) housing over 111,000 residents by September 2021. [As of January 31, 2025, 94% of these soft-story buildings have been brought into compliance.] *[To be updated]* Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development.

***Vulnerability Study of the Northern Waterfront Seawall.*** In early 2016, the Port Commission of the City (the "Port Commission") commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicates 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 estimated 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 estimated 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. Additionally, the Port Commission, together with the U.S. Army Corps of Engineers, have developed a draft plan to fortify the Port's Seawall from sea level rise, which estimates the total cost of that project at $13.5 billion. See "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below. See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

***Tall Buildings Safety Strategy Report and Executive Directive.*** The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings taller than 240 feet. The final report following the study, released in January 2019, evaluated 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 identified and summarized 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, then-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. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. The City was the first jurisdiction to test this Statewide program. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – "Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings" was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

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

***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 consisting of Laguna Honda Hospital compliant with SB 1953. See "THE LEASED PROPERTY" 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 will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fifth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2023 ("NCA5"), which assessed the variability of climate impacts across individual regions of the United States, found that the City is vulnerable to impacts from sea level rise, with flooding potentially exacerbated by storm surges, extreme precipitation and high tides. Sea levels are anticipated to continue to rise due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting. The NCA5 utilizes a projected flood risk from 3 feet of sea level rise in the San Francisco Bay Area, consistent with an Intermediate scenario in the year 2100. Coastal areas, including the City, are vulnerable to floods impacting private development and public infrastructure, as well as roads, utilities, and emergency services.

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 showed an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined the Port, the Public Utilities Commission and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

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

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

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has partnered with the US Army Corps of Engineers to develop a plan to fortify the Port's Seawall from sea level rise. A draft plan estimates the total cost of that project at $13.5 billion; and, subject to US Army Corps of Engineers and Congressional approval, 65% of the cost would be eligible for federal funding. The City is developing a financing strategy to provide the remaining funds, including using funding from the November 2018 approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds."

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC

Berkeley and the University of Arizona suggested 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 claimed 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 San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. In November 2022, the defendants appealed the District Court's decision to the Ninth Circuit. In November 2023, the Ninth Circuit rejected defendants' appeal of remand to state court. The City's case has been remanded to and coordinated with similar municipal lawsuits and the State of California's lawsuit in San Francisco Superior Court. In June 2024, the San Francisco City Attorney moved to file an amended complaint seeking abatement funds and damages. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

In 2020, the City adopted, and the Federal Emergency Management Agency approved, the City's Hazards and Climate Resilience Plan ("HCR"), a combined hazard mitigation and climate adaptation plan, which sets forth a roadmap for the City to address the impacts of natural hazards and climate change on its assets and citizens, and proposes over 90 strategies to reduce risks and adapt to climate change impacts. The HCR is intended to complement the City's CAP (defined below) and is updated every five years to include the latest understanding of natural hazards and climate change impacts, local risks, and the actions the City will take to improve the resilience of its buildings, communities, and infrastructure. [The 2025 update to the HCR was available for public comment through September 2024, and is currently expected to be proposed to the Board of Supervisors in April, 2025.] *[To be updated]*

In September 2021, the City adopted a set of emissions reduction targets for the coming decades: achieve net-zero greenhouse gas emissions generated by the City by 2040 and reduce emissions associated with consumption of all goods and services in the City (regardless of where emissions originate) 80% by 2050. In December 2021, the Mayor released the City's Climate Action Plan (the "CAP") detailing the actions needed to accomplish these targets, developed through a multi-agency and stakeholder process led by the San Francisco Department of Environment (the "Department of Environment"). The Department of Environment contracted with the UC Berkeley's Center for Law, Energy & the Environment (the "CLEE") to assess options for funding the equitable implementation of the CAP. CLEE released its report entitled "Funding San Francisco Climate Action" in November 2022 (the "CLEE Report").

The CAP is a roadmap of goals, strategies and actions to achieve emission reductions across six sectors: energy supply, building operations, transportation and land use, housing, responsible production and consumption, and healthy ecosystems. Key strategies include, but are not limited to, provision of 100% carbon-free energy, decarbonization of buildings, and increases in the public transit, active transportation, and vehicle electrification networks. The CAP estimated the cost of each of its strategies to range from $1 million to $500 million, but does not include specific cost estimates for each of the individual actions within these strategies. However, independent analyses conclude that significant investments will be required to realize CAP goals. Based on these independent analyses, the CLEE Report presented a rough estimate of CAP costs based on an assumption that the highest-cost strategies have an average high cost of $5 billion (this assumption is purely for scoping purposes and costs could be much higher in the most capital-intensive sectors, like public transit). The CLEE Report estimated that implementing the CAP across its six identified sectors could cost in the aggregate anywhere between a low of $2.291 billion to a high of $21.914 billion to be funded from a variety of sources, including a significant portion by the City.

CAP implementation would require a diverse mix of revenue streams (including the City's General Fund revenues) across several decades to support significant capital investment. In many cases, these build on existing revenue strategies in use by the City – such as the issuance of general obligation bonds and revenue bonds and refuse collection fees that pay for recycling programs – to drive specific emissions-reducing actions. In other cases, CAP implementation will require development of new revenue-generation mechanisms, drawing on the resources of residents and businesses, federal and state governments, and private and philanthropic partners. In addition, the CAP includes a number of policy, regulatory, and planning actions that are key enabling actions that will impose little or no cost to the City, but nonetheless remain high priorities for aggressive emissions reduction. While the City's climate initiative and the implementation of the CAP is a policy goal, the City cannot give any assurance that financial resources will be available in amounts needed to fund all of the initiatives, or whether the City will achieve its policy goals.

**Cybersecurity**

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City's Systems Technology and required a response action to mitigate the consequences.

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, managing risk, improving cyber security event detection and remediation, and facilitating cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

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

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

**Public Health Emergencies**

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats, including the outbreak and spread of COVID-19. The spread of COVID-19 and actions to contain its spread have had significant adverse health and financial impacts throughout the world, including the City.

While COVID-19 case rates have significantly declined, vaccination rates have increased, relevant emergency orders have been lifted, and the national and local economy has been improving, the economic effects of the COVID-19 pandemic are uncertain in many respects. The COVID-19 pandemic has had and may continue to have material adverse impacts on the City's economy and certain aspects of the City's financial condition. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City's operations and finances. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges," " – Periodic Financial Reporting; Recent Reports," and " – City Budget – Fiscal Cliff Reserve."

**Other Events**

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

In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project.

The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately $14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting in numerous deaths and over $16 billion in property damage), the Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres), and the CZU Lightning Complex fires which burned across San Mateo and Santa Cruz County, California in mid-2020 (covering over 85,000 acres). Spurred by findings that certain of these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive

distribution circuit and high power transmission line shutoffs during periods of extreme fire danger (i.e., high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. Parts of the City have experienced several blackout days as a result of PG&E's wildfire prevention strategy. Future shutoffs are expected to continue and it is uncertain what effects future PG&E shutoffs will have on the local economy.

Since 2017, California has experienced numerous significant wildfires. In addition to their direct impact on health and safety and property damage in California, the smoke from these wildfires has impacted and future wildfires may impact the quality of life in the Bay Area and the City and may have short-term and future impacts on commercial and tourist activity in the City, as well as the desirability of the City and the Bay Area as places to live, potentially negatively affecting real estate trends and values.

In December 2022 and January 2023, the San Francisco Bay Area experienced heavy winter storms. According to the National Weather Service for the San Francisco Bay Area, on December 31, 2022, downtown San Francisco received 5.45 inches of rain, which is the second wettest day in the area since records began in 1849 (with the daily record being 5.54 inches on November 5, 1994). The rains caused widespread flooding, road closures and mudslides throughout the region.

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

**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 the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months, adjusted on or prior to October 1 of each year to reflect scheduled Base Rental payments due for the next succeeding 24 months. 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 exposures for which the Project Lease permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Legal Matters and Risk Management – Risk Retention Program."

**State Law Limitations on Appropriations**

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks" and "– Constitutional and Statutory Limitations on Taxes and Expenditures – Article XIIIB 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 XIIIC and XIIID 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**

[Approximately 13% of general fund revenues appropriated in the City's FY25 & FY26 Original Budget for fiscal years 2024-25 and 2025-26 is derived from the State.] *[To be Updated]* 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 – Budgetary Risks – Impact of the State of California Budget on Local Finances."

The State has recently been experiencing budgetary challenges, and 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.

**Federal Government**

*[Discussion to be updated]*

[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." Further, the President has recently issued a series of executive orders, including guidance from the Office of Management and Budget, that purport to suspend or limit federal government funding to state and local governments. Certain of these actions have been challenged in court, and in some cases enjoined. The City's current projections in the City's various reports assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. The City cannot predict the outcome of current or future federal executive orders, administrative actions, budgets or legislation and the ultimate impact that such matters will have on the City's finances and operations. See APPENDIX A: "CITY AND COUNTY

OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Federal Government on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues," "– Other City Tax Revenues" and "– Investment of City Funds."]

**Other**

There may be other risk factors relating to ownership of the Certificates in addition to those described in this section.

## TAX MATTERS

**202[_][A] Certificates**

In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, as Co-Special Counsel, under existing law: (i) interest on the 202[_][A] 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 imposed on individuals and (ii) interest on the 202[_][A] Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the 202[_][A] 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 202[_][A] Certificates are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Special Counsel will not independently verify the accuracy of the City's representations and certifications 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 on the 202[_][A] 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 on the 202[_][A] Certificates being included in gross income for federal income tax purposes retroactively to the date of issuance of the 202[_][A] Certificates. The City has covenanted to take the actions required of it for the interest on the 202[_][A] 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 202[_][A] 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 on the 202[_][A] Certificates or the market value of the 202[_][A] Certificates.

Interest on the 202[_][A] Certificates may be subject: (1) to a federal branch profits tax imposed on certain foreign corporations doing business in the United States; (2) to a federal tax imposed on excess net passive income of certain S corporations; and (3) to the alternative minimum tax imposed under Section 55(b) of the Code on "applicable corporations" (within the meaning of Section 59(k) of the Code). 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 202[_][A] Certificates. Co-Special Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the 202[_][A] Certificates, are generally subject to IRS Form 1099-INT information reporting requirements. If a 202[_][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 202[_][A] Certificates ends with the issuance of the 202[_][A] Certificates, and, unless separately engaged, Co-Special Counsel is not obligated to defend the City or the owners of the 202[_][A] 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 202[_][A] Certificates, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the 202[_][A] 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 202[_][A] 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 202[_][A] Certificates.

Prospective purchasers of the 202[_][A] Certificates upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the 202[_][A] 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 202[_][A] Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 202[_][A] Certificates will not have an adverse effect on the tax status of interest on the 202[_][A] Certificates or the market value or marketability of the 202[_][A] 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 on the 202[_][A] 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 that was in effect at that time, and eliminated the tax-exempt advance refunding of tax-exempt bonds and tax-advantaged bonds, among other things. Additionally, investors in the 202[_][A] 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 on the 202[_][A] Certificates for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the 202[_][A] Certificates may be affected and the ability of holders to sell their 202[_][A] 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 on the 202[_][A] Certificates.*** Certain of the 202[_][A] Certificates ("Discount 202[_][A] 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 202[_][A] Certificate. The issue price of a Discount 202[_][A] 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 202[_][A] Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount 202[_][A] 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 202[_][A] 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 on the 202[_][A] Certificates, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale or other disposition of that Discount 202[_][A] Certificate. A purchaser of a Discount 202[_][A] Certificate in the initial public offering at the issue price (described above) for that Discount 202[_][A] Certificate who holds that Discount 202[_][A] Certificate to maturity will realize no gain or loss upon the retirement of that Discount 202[_][A] Certificate. Certain of the 202[_][A] Certificates ("Premium 202[_][A] 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 202[_][A] Certificate, based on the yield to maturity of that Premium 202[_][A] Certificate (or, in the case of a Premium 202[_][A] 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 202[_][A] Certificate), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium 202[_][A] 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 202[_][A] Certificate, the owner's tax basis in the Premium 202[_][A] 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 202[_][A] Certificate for an amount equal to or less than the amount paid by the owner for that Premium 202[_][A] Certificate. A purchaser of a Premium 202[_][A] Certificate in the initial public offering who holds that Premium 202[_][A] Certificate to maturity (or, in the case of a callable Premium 202[_][A] Certificate, to its earlier call date that results in the lowest yield on that Premium 202[_][A] Certificate) will realize no gain or loss upon the retirement of that Premium 202[_][A] Certificate.

***Owners of Discount and Premium 202[_][A] 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 202[_][A] 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.***

**202[_][B] Certificates**

In the opinion of Squire Patton Boggs (US) LLP and Husch Blackwell LLP, Co-Special Counsel, under existing law: (i) interest on the 202[_][B] Certificates is not excluded from gross income for federal income tax purposes; and (ii) interest on the 202[_][B] Certificates is exempt from State of California personal income taxes. Co-Special Counsel expresses no opinion as to any other tax consequences regarding the 202[_][B] Certificates. The legal defeasance of the 202[_][B] Certificates might result in a deemed sale or exchange of the 202[_][B] Certificates under certain circumstances; owners of the 202[_][B] Certificates should consult their tax advisors as to the federal income tax consequences of such an event. Prospective purchasers of the 202[_][B] Certificates should consult their tax advisors as to the federal, state and local, and foreign tax consequences of their acquisition, ownership, and disposition of the 202[_][B] Certificates.

The following discussion is generally limited to "U.S. owners," meaning beneficial owners of 202[_][B] Certificates that for United States federal income tax purposes are either individual citizens or residents of the United States or corporations or other entities taxable as corporations created or organized in or under the laws of the United States or any state thereof (including the District of Columbia). ***Partnerships (including entities treated as partnerships for United States federal income tax purposes) holding 202[_][B] Certificates, and partners in such partnerships, and estates or trusts holding 202[_][B] Certificates, and beneficiaries of such estates or trusts, should consult their tax advisors regarding the tax consequences of an investment in the 202[_][B] Certificates (including their status as U.S. owners).***

Prospective purchasers of the 202[_][B] Certificates upon their original issuance at prices other than the respective prices indicated on the **[**inside**]** cover of this Official Statement, and prospective purchasers of the 202[_][B] 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.

***Payment of Interest.*** In general, interest paid or accrued on the 202[_][B] Certificates, including qualified stated interest on Discount 202[_][B] Certificates (as defined below), if any, will be treated as ordinary income to U.S. owners. A U.S. owner using the accrual method of accounting for U.S. federal income tax purposes must include interest paid or accrued on the 202[_][B] Certificates in ordinary income as the interest accrues, while a U.S. owner using the cash receipts and disbursements method of accounting for U.S. federal income tax purposes must include interest in ordinary income when payments are received or constructively received by the owner, except as described below under the section entitled "Original Issue Discount and Original Issue Premium on 202[_][B] Certificates."

***Original Issue Discount and Original Issue Premium on 202[_][B] Certificates.*** Certain of the 202[_][B] Certificates ("Discount 202[_][B] 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 202[_][B] Certificate, provided that excess equals or exceeds a statutory *de minimis* amount (one-quarter of one percent of the Discount 202[_][B] Certificate's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, if required by applicable Treasury Regulations, to an earlier call date)). The issue price of a Discount 202[_][B] 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 202[_][B] Certificates of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount 202[_][B] 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 time a U.S. owner owns a Discount 202[_][B] Certificate (i) is interest includable in the U.S. owner's gross income for federal income tax purposes, and (ii) is added to the U.S. owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of the Discount 202[_][B] Certificate. The effect of OID is to accelerate the recognition of taxable income for a U.S. owner who uses the cash method of accounting during the term of the Discount 202[_][B] Certificate.

Certain of the 202[_][B] Certificates ("Premium 202[_][B] Certificates") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). If a U.S. owner purchases a Premium 202[_][B] Certificate, that owner will be considered to have purchased such Premium 202[_][B] Certificate with "amortizable bond premium" equal in amount to such excess. The U.S. owner may elect (which election shall apply to all securities purchased at a premium by such U.S. owner), in accordance with the applicable provisions of Section 171 of the Code, to amortize that premium as an offset to the interest payments on the Premium 202[_][B] Certificate using a constant yield to maturity method over the remaining term of the Premium 202[_][B] Certificate (or, if required by applicable Treasury Regulations, to an earlier call date). Pursuant to Section 67(b)(11) of the Code, the amortization of that premium is not considered a miscellaneous itemized deduction. Any amortization of bond premium will reduce the basis of the Premium 202[_][B] Certificate pursuant to Section 1016(a)(5) of the Code.

***Owners of Discount and Premium 202[_][B] 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 202[_][B] 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.***

***Sale, Exchange, Retirement or Other Taxable Disposition of 202[_][B] Certificates.*** Upon the sale, exchange, retirement or other taxable disposition of a 202[_][B] Certificate, a U.S. owner will recognize gain or loss equal to the difference between the amount realized from the sale, exchange, retirement or other disposition and the owner's adjusted basis in the 202[_][B] Certificate or applicable portion of the adjusted basis. The owner's adjusted basis generally will equal the cost of the 202[_][B] Certificate to the owner, increased by any OID includible in the owner's ordinary income for the 202[_][B] Certificate and reduced by any principal payments on the 202[_][B] Certificate previously received by the owner (including any other payments on the 202[_][B] Certificate that are not qualified stated interest payments) and by any amortizable bond premium allowed as a deduction as described above under the section entitled "Original Issue Discount and Original Issue Premium." Any gain or loss recognized upon a sale, exchange, retirement or other disposition of a 202[_][B] Certificate (excluding amounts attributable to accrued interest or OID) will generally be capital gain or loss and will be long-term capital gain or loss if the U.S. owner's holding period in the 202[_][B] Certificate exceeds one year. Long-term capital gains of individuals are currently eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

***Information Reporting and Backup Withholding.*** General information reporting requirements will apply to payments of principal and interest made on the 202[_][B] Certificates and the proceeds of the sale of 202[_][B] Certificates to non-corporate holders of the 202[_][B] Certificates, and "backup withholding," currently at a rate of 24%, will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of 202[_][B] Certificates that is a U.S. owner generally can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

***Medicare Tax Affecting U.S. Owners.*** A U.S. owner that is an individual is subject to a 3.8% Medicare tax on the lesser of (1) the U.S. owner's "net investment income" for the taxable year and (2) the excess of the U.S. owner's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between $125,000 and $250,000, depending on the individual's circumstances). A U.S. owner's net investment income generally includes interest income on, and net gains from the disposition of, 202[_][B] Certificates, unless such interest income or net gains are derived in the ordinary course of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. owner that is an individual should consult its tax advisor regarding the applicability of the Medicare tax.

***Non-U.S. Owners.*** Under the Code, interest and OID on any 202[_][B] Certificate whose beneficial owner is not a U.S. owner is generally not subject to United States income tax or withholding tax (including backup withholding) if the non-U.S. owner provides the payor of interest on the 202[_][B] Certificates with an appropriate statement as to its status as a non-U.S. owner. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the non-U.S. owner conducts a trade or business in the United States and the interest or OID on the 202[_][B] Certificates held by the non-U.S. owner is effectively connected with such trade or business, that interest or OID will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding). The foregoing is a brief summary of certain federal income tax consequences to a non-U.S. owner. ***Non-U.S. owners should consult their tax advisors regarding the tax consequences of an investment in the 202[_][B] Certificates.***

***Foreign Account Tax Compliance Act.*** The Foreign Account Tax Compliance Act ("FATCA") generally imposes a 30% withholding tax on interest payments to (i) certain foreign financial institutions

(including certain investment funds) that fail to certify their FATCA status and (ii) non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders are not satisfied. Proposed Treasury Regulations, which may be relied upon until final Treasury Regulations are promulgated, suspend the requirement to apply the 30% withholding tax to gross proceeds from the sale or other disposition of 202[_][B] Certificates. This requirement otherwise would have applied to a sale or other disposition of 202[_][B] Certificates made on or after January 1, 2019.

In the case of payments made to a "foreign financial institution" (generally including an investment fund), as a beneficial owner or as an intermediary, the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such institution (i) enters into (or is otherwise subject to) and complies with an agreement with the U.S. government (a "FATCA Agreement") or (ii) is required by and complies with applicable foreign law enacted in connection with an intergovernmental agreement between the United States and a foreign jurisdiction (an "IGA"), in either case to, among other things, collect and provide to the U.S. or other relevant tax authorities certain information regarding U.S. account holders of such institution. In the case of payments made to a foreign entity that is not a financial institution (as a beneficial owner), the FATCA withholding tax generally will be imposed, subject to certain exceptions, unless such entity either provides the withholding agent with a certification that it does not have any "substantial" U.S. owner (generally, any specified U.S. person that directly or indirectly owns more than a specified percentage of such entity) or identifies its "substantial" U.S. owners.

If 202[_][B] Certificates are held through a foreign financial institution that enters into (or is otherwise subject to) a FATCA Agreement, such foreign financial institution (or, in certain cases, a person paying amounts to such foreign financial institution) generally will be required, subject to certain exceptions, to withhold the 30% FATCA tax on payments of interest as described above made to (i) a person (including an individual) that fails to comply with certain information requests or (ii) a foreign financial institution that has not entered into (and is not otherwise subject to) a FATCA Agreement and that is not required to comply with FATCA pursuant to applicable foreign law enacted in connection with an IGA. Coordinating rules may limit duplicative withholding in cases where the withholding described above in "Non-U.S. Owners" or "Information Reporting and Backup Withholding" also applies.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on 202[_][B] Certificates as a result of a failure by an investor (or by an institution through which an investor holds the 202[_][B] Certificates) to comply with FATCA, none of the City, any paying agent or any other person would, pursuant to the terms of the 202[_][B] Certificates, be required to pay additional amounts with respect to any 202[_][B] Certificate as a result of the deduction or withholding of such tax. ***Non-U.S. owners should consult their tax advisors regarding the application of FATCA to the ownership and disposition of 202[_][B] Certificates.****]*

## 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 Husch Blackwell LLP, 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 [Underwriters] [initial purchaser] of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinion of Co-Special Counsel is set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them 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 their date.

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

Co-Disclosure Counsel have advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Co-Disclosure Counsel are not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and have not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, each Co-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 Co-Disclosure Counsels having acted in the role of co-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.

[Certain legal matters will be passed upon for the Underwriters by their counsel [_____], [City], [State].]

## PROFESSIONALS INVOLVED IN THE OFFERING

KNN Public Finance, LLC has served as Municipal Advisor to the City with respect to the sale of the Certificates. The Municipal Advisor has assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Municipal Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Special Counsel and Co-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 [2024-25] which is due not later than [March 27, 2026] 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 [Underwriters] [initial

purchaser] of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

As of May 6, 2021, the City was a party to certain continuing disclosure undertakings relating to municipal securities which require the City to file notice filings on EMMA within ten days in the event of the incurrence of financial obligations and certain other events, if material. On May 6, 2021, the City extended for two years certain liquidity facilities relating to series 1 and 1-T and series 2 and 2-T of its commercial paper program. On July 1, 2021, the City filed on EMMA an event notice relating to these extensions.

For fiscal year 2021-22, although the City's Annual Comprehensive Financial Report was posted on EMMA, it was not linked to all of the CUSIP numbers for the City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Special Tax Bonds, Series 2022A and 2022B. The City has taken action to link such Annual Comprehensive Financial Report to the applicable CUSIP numbers.

The City may, from time to time, but is not obligated to, post its Annual Comprehensive Financial Report and other financial information on the City's investor information website located at https://www.sf.gov/controllers-office-public-finance.

*[Under review]*

## ABSENCE OF LITIGATION RELATING TO THE CERTIFICATES

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 purchaser of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.] For information regarding certain litigation and other related matters concerning the City and its operations, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES."

## VALIDATION ACTION

No validation action has been pursued or is expected to be pursued with respect to the validity of the [nTH] Supplement to Project Lease, the [nTH] Supplement to Property Lease, [nTH] Supplement to Trust Agreement, the [nTH] Supplement to Project Lease, the [nTH] Supplement to Property Lease, and the [nTH] 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 Ratings ("Moody's"), S&P Global Ratings ("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.moodys.com; S&P, at www.spglobal.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.

## [UNDERWRITING]

[The City has entered into a purchase contract with [_____], on behalf of itself, [_____] and [_____] (collectively, the "Underwriters") pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at the purchase price of $_____ (being the principal amount of the Certificates, plus net original issue premium of $_____, and less an Underwriters' discount of $_____). The Underwriters are obligated under the purchase contract to purchase all of the Certificates if any are purchased. The Certificates may be offered and sold by the Underwriters to certain dealers and others at yields lower or prices higher than the public offering yields and prices indicated on the inside cover page hereof, and such public offering yields and prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.]

## [SALE OF THE CERTIFICATES]

[The Certificates are scheduled to be sold at competitive bid on [_____ __], 202[_], as provided in an Official Notice of Sale, dated [_____ __], 202[_] (the "Official Notice of Sale"). The Official Notice of Sale provides that all the 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 initial purchaser or purchasers of the Certificates 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 contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the [Underwriters] [initial purchaser] 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:_____
Greg Wagner
Controller

# APPENDIX A

## CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix A 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 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, social media accounts, 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.

Certain information contained in this Appendix A may reference other enterprise departments of the City including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("SFPUC"), and other enterprise departments. Descriptions of such enterprises are included for informational purposes only, but no funds or resources of such enterprises are available or pledged as security for the Bonds.

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

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## CITY FINANCIAL CHALLENGES

The City continues to face material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), continuing weakness in the local hospitality and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions. As described herein, these conditions have resulted in projected budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately $1.47 billion in fiscal year 2029-30.

## FY25 & FY26 ORIGINAL BUDGET

The Original Budget for fiscal years 2024-25 and 2025-26 (the "FY25 & FY26 Original Budget") was approved by the Board of Supervisors on July 30, 2024 and signed by the Mayor on August 1, 2024. See "CITY BUDGET – Budget Process" for additional detail. The FY25 & FY26 Original Budget reflects $15.9 billion of expenditures in fiscal year 2024-25 and $15.5 billion in fiscal year 2025-26. The FY25 & FY26 Original Budget addresses the then-current projected $789.3 million two-year shortfall primarily through the use of $135.7 million of fund balance, $236.6 million in projected revenue increases, and $68.8 million use of special funds, as well as $302.0 million of net departmental budget reductions and other operating savings. Such operating savings were offset by increased capital and information technology costs and new labor costs. For information concerning recent reports relating to the FY25 & FY26 Original Budget, see "PERIODIC FINANCIAL REPORTING; RECENT REPORTS."

## NOVEMBER 2024 CITY ELECTION

At the November 5, 2024 election, voters in the City elected Daniel Lurie as Mayor of the City. In addition, elections were held for a number of Board of Supervisors seats, as well as City Attorney and Treasurer. See "CITY GOVERNMENT." Voters also approved Propositions H, I, J and M, which impacts City finances. See "OTHER CITY TAX REVENUES – Business Taxes," "CITY GENERAL FUND PROGRAMS AND EXPENDITURES - Voter-Mandated Spending Requirements" and "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS - San Francisco Employees' Retirement System."

## PERIODIC FINANCIAL REPORTING; RECENT REPORTS

The City Charter and Administrative Code provide for the preparation of a number of regular financial reports. These reports include:

Controller Revenue Letter: The Controller Revenue Letter is issued in June of each year, and addresses the Controller's view of the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget. See "CITY BUDGET - FY25 & FY26 Original Budget and Revenue Letter."

Budget Status Reports: 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. See "CITY BUDGET –FY25 & FY26 Original Budget and Revenue Letter" and the description below of the Six-Month Budget Status Report issued by the Controller's Office on February 18, 2025 (the "February 2025 Six-Month Report").

Five-Year Financial Plan: The Five-Year Financial Plan (the "Five-Year 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 Five-Year Plan be adopted every two years. Charter Section 9.119

requires that by March 1 of each odd-numbered year, the Mayor submit a Five-Year Plan to the Board. The City's Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisor's Budget Analyst, and Controller submit an updated estimate for the remaining four years of the most recently adopted Five-Year Plan. . See the "CITY BUDGET – December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions."

Following is a description of certain recently issued reports, with the most recent reports presented first.

*February 2025 Six-Month Report*

On February 18, 2025, the Controller's Office issued the Six-Month Budget Status Report (the "February 2025 Six-Month Report"). The February 2025 Six-Month Report noted that the Controller projects a $367.2 million General Fund ending balance in the current fiscal year, a $35.7 million improvement from the $331.5 million balance in the December 2024 Five-Year Financial Plan. Citywide revenues for Fiscal Year 2024-25 are projected to be $114.1 million below the FY25 & FY26 Original Budget, or $68.5 million below the projection in the December 2024 Five-Year Financial Plan. Departments are projected to end Fiscal Year 2024-25 with a $97.7 million net surplus.

The February 2025 Six-Month Report also noted that the Police, Fire, Emergency Management and Sheriff's departments, and the Public Utilities Commission, will require additional supplemental appropriations for overtime, which could reduce available fund balance, and that the projections assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. Specifically, the FY25 & FY26 Original Budget assumes $80.0 million of FEMA reimbursements for COVID response costs, of which $51.7 million is confirmed in the current fiscal year to date, and the projection currently assumes total reimbursements at budgeted levels. See "BUDGETARY RISKS – Impact of Federal Government on Local Finances."

See "CITY BUDGET – February 2025 Six-Month Report" for additional information concerning the February 2025 Six-Month Report.

*Controller's Report on the Status of the City Economy*

On February 13, 2025, the Controller's Office issued its most recent report on the status of the City economy through January 2025. The Controller's Office report noted that the City's job market continued its slow recovery, with jobs growing at a rate of 1.4% from October to December 2024. The City's unemployment rate increased to 3.9% after dipping to 3.7% in September and October. The City continues to have one of the lowest unemployment rates among California counties. The City's slow pace of returning to office showed some positive signs as MUNI metro's downtown ridership continued to recover and new data from Placer.ai (an analytics source used by the City that provides data about foot traffic and consumer behavior) shows employee visits have been increasing throughout 2024. Hotel revenue recovery remains flat. The office vacancy rate dropped slightly in the 4th quarter, for its first quarterly decline since 2020. However, Placer.ai data also showed that downtown visitors—mainly shoppers—have been dropping, and the formation of new restaurants and retail establishments are also trending down. Apartment rents within the City are rising, despite a broader softening trend. Housing prices remain stagnant, and new housing permits remain stuck well below pre-pandemic levels.

*December 2024 Five-Year Plan*

On December 18, 2024, the Mayor's Office, Controller's Office, and Board of Supervisors Budget and Legislative Analyst's Office issued the "Proposed Five-Year Financial Plan Fiscal Years 2025-26 through 2029-30" (the "December 2024 Five-Year Plan"). The December 2024 Five-Year Plan projects that that, over the next five years, the City's revenue outlook will improve, supported by recent changes in San Francisco's tax structure and modest economic growth. However, this improvement will be tempered by post-pandemic economic

realities and the depletion of one-time funding sources. At the same time, the cost of City services is projected to grow significantly, surpassing revenue growth each year of the five-year period.

Total annual expenditures are projected to increase by approximately $1.99 billion over the next five years, representing a 29% increase from fiscal year 2024-25. In contrast, annual available General Fund sources are expected to grow by only $518.6 million over the same period, an increase of 7.6 percent from fiscal year 2024-25. This results in projected annual deficits, absent corrective action, of $253.2 million in fiscal year 2025-26, $622.7 million in fiscal year 2026-27, $1.05 billion in fiscal year 2027-28, $1.33 billion in fiscal year 2028-29 and $1.47 billion in fiscal year 2029-30.

The December 2024 Five-Year Plan states that City must develop and implement strategies to bridge the gap between projected revenues and expenditures, and that these strategies must be incorporated into the fiscal year 2025-26 and 2026-27 two-year budget and extended across the five-year period reflected in the December 2024 Five-Year Plan. The December 2024 Five-Year Plan notes that, unlike the significant budget shortfalls that followed the 2001 and 2008 recessions, the current outlook highlights longer-term structural challenges, even without the occurrence of another recession.

See "CITY BUDGET – December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions" for additional information concerning the December 2024 Five-Year Plan.

*FY26 Mayor's Budget Instructions*

In December 2024, the Mayor's Office issued budget instructions (the "FY26 Mayor's Budget Instructions"), which contained a preview summary of the findings in the December 2024 Five-Year Plan, including the projected deficits described therein. The FY26 Mayor's Budget Instructions noted that, since the COVID pandemic, the City has relied heavily on one-time sources to balance recent budgets. These one-time sources include federal disaster relief, and use of General Fund reserves and fund balance. The FY26 Mayor's Budget Instructions noted that there is significant uncertainty with respect to receiving outstanding FEMA reimbursements. These one-time sources are expected to be depleted by the end of fiscal year 2027-28.

The FY26 Mayor's Budget Instructions also identify particular risks including revenue losses to the City which may result from State financial difficulties, federal policies implemented by the incoming Trump administration, and declining property values resulting from assessment appeals. In addition, business tax appeals threaten over $400 million in business tax revenue. The FY26 Mayor's Budget Instructions also noted that health care costs escalation has increased, office vacancies remain elevated, and the hospitality industry recovery is slowing.

As a result of the foregoing, the FY26 Mayor's Budget Instructions to departments direct ongoing, permanent spending reductions to the General Fund of 15% starting in fiscal year 2025-26, a re-examination of all contractual services and non-personnel expenditures, elimination of positions that are currently vacant, the consideration of future hiring freezes, and cessation of overnight and air travel for City employees. See "CITY BUDGET – December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions" for additional information concerning the December 2024 Five-Year Plan.

Subsequent to the issuance of the FY26 Mayor's Budget Instructions, on January 9, 2025, Mayor Lurie announced a Citywide hiring freeze through the end of the fiscal year. Certain exemptions will be permitted including new hires to support public health, public safety, and other core City priorities.

*Upcoming Reports*

Significant upcoming reports include the March 2025 Update to the December 2024 Five-Year Plan. The financial pressures described herein result in challenges with respect to revenue and expense forecasting, and there can be no assurances that future reports will not identify increasing expenses and/or decreasing

revenues, potentially resulting in increased deficit projections as compared to prior reports. In addition, the City has commenced utilizing additional tools in connection with the forecasting of potential property tax losses, which may result in additional annual projected property tax losses in the tens of millions of dollars. See "GENERAL FUND REVENUES - PROPERTY TAXATION - Assessed Valuations, Tax Rates, and Tax Delinquencies."

## CITY BUDGET

### Overview

The City manages the operations of more than 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 prepared before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The FY25 & FY26 Original Budget was passed by the Board of Supervisors on July 30, 2024, and signed by Mayor Breed on August 1, 2024. The Original Budget for fiscal year 2024-25 appropriates annual revenues, fund balance, transfers and reserves of $15.9 billion, of which the City's General Fund accounts for $6.9 billion. The Original Budget for fiscal year 2025-26 appropriates revenues, fund balance, transfers and reserves of $15.6 billion, of which $7.1 billion represents the General Fund budget. See "CITY BUDGET – FY25 & FY26 Original Budget and Revenue Letter" for further details on the budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2020-21 through 2023-24, and the Original Budget for fiscal year 2024-25. See "GENERAL FUND REVENUES – PROPERTY TAXATION –Tax Levy and Collection," "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

See "CITY FINANCIAL CHALLENGES" and "BUDGETARY RISKS" for discussions of factors that have adversely impacted the revenue and expenditure levels assumed in the FY25 & FY26 Original Budget.

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**TABLE A-1**
**Budgeted General Fund Revenues and Appropriations for**
**Fiscal Years 2020-21 through 2024-25**
**(000s)**

| | 2020-21 Final Revised Budget[5] | 2021-22 Final Revised Budget[5] | 2022-23 Final Revised Budget[5] | 2023-24 Final Revised Budget[5] | 2024-25 Original Budget[6] |
|---|---|---|---|---|---|
| Prior-Year Budgetary Fund Balance & Reserves | $ 2,816,902 | $ 2,803,535 | $ 3,214,031 | $ 2,963,605 | $ 2,813,034 |
| Budgeted Revenues | | | | | |
| Property Taxes[1] | $ 2,161,945 | $ 2,115,600 | $ 2,379,530 | $ 2,510,000 | $ 2,469,580 |
| Business Taxes | 798,057 | 957,307 | 902,246 | 851,077 | 883,000 |
| Other Local Taxes[2] | 657,990 | 777,750 | 1,050,820 | 1,098,880 | 1,109,170 |
| Licenses, Permits and Franchises | 22,977 | 28,027 | 26,749 | 30,240 | 31,802 |
| Fines, Forfeitures and Penalties | 2,389 | 4,039 | 3,088 | 3,028 | 3,921 |
| Interest and Investment Earnings | 20,732 | 34,215 | 38,660 | 111,757 | 146,715 |
| Rents and Concessions | 11,166 | 11,820 | 12,913 | 14,571 | 14,145 |
| Grants and Subventions | 1,591,756 | 1,699,946 | 1,536,227 | 1,462,866 | 1,321,363 |
| Charges for Services | 254,990 | 258,939 | 243,298 | 275,495 | 351,423 |
| Other | 59,773 | 37,694 | 23,307 | 32,153 | 19,444 |
| Total Budgeted Revenues | $ 5,581,775 | $ 5,925,337 | $ 6,216,838 | $ 6,390,067 | $ 6,350,563 |
| Bond Proceeds & Repayment of Loans | - | - | - | - | - |
| Expenditure Appropriations | | | | | |
| Public Protection | $ 1,505,780 | $ 1,586,264 | $ 1,681,489 | $ 1,747,925 | $ 1,837,737 |
| Public Works, Transportation & Commerce | 218,986 | 244,365 | 275,941 | 254,637 | 232,734 |
| Human Welfare & Neighborhood Development | 1,605,573 | 1,571,761 | 1,621,981 | 1,686,647 | 1,641,289 |
| Community Health | 1,158,599 | 1,119,891 | 1,118,010 | 1,099,022 | 1,144,476 |
| Culture and Recreation | 147,334 | 161,417 | 180,475 | 198,594 | 190,338 |
| General Administration & Finance | 332,997 | 353,518 | 351,738 | 346,074 | 352,660 |
| General City Responsibilities | 126,993 | 159,299 | 201,959 | 211,665 | 194,821 |
| Total Expenditure Appropriations | $ 5,096,262 | $ 5,196,515 | $ 5,431,593 | $ 5,544,564 | $ 5,594,055 |
| Budgetary reserves and designations, net | $ 42,454 | $ 45,567 | $ 46,496 | $ 62,362 | $ 2,160 |
| Transfers In | $ 417,009 | $ 194,114 | $ 194,984 | $ 229,393 | $ 206,499 |
| Transfers Out[3] | (1,164,927) | (1,181,704) | (1,315,702) | (1,355,235) | (1,250,314) |
| Net Transfers In/Out | ($ 747,918) | ($ 987,590) | ($1,120,718) | ($1,125,842) | ($1,043,815) |
| Budgeted Excess (Deficiency) of Sources Over (Under) Uses | $ 2,512,044 | $ 2,499,200 | $ 2,832,062 | $ 2,620,904 | - |
| Variance of Actual vs. Budget | 291,491 | 714,831 | 131,543 | 192,130 | - |
| Total Actual Budgetary Fund Balance[4] | $ 2,803,535 | $ 3,214,031 | $ 2,963,605 | $ 2,813,034 | - |

(1) The Budget appropriates Excess ERAF property tax funds in all fiscal years shown on the table. Please see "GENERAL FUND REVENUES -- Property Taxation" for more information about Excess ERAF.

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

(3) Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

(4) Fiscal year 2020-21 through fiscal year 2023-24 Final Revised Budget reflects prior year actual budgetary fund balance.

(5) Fiscal years 2020-21, 2021-22, 2022-23, and 2023-24 Final Revised Budgets are based on respective Annual Comprehensive Financial Reports.

(6) Fiscal year 2024-25 amount represents the Original Budget, adopted July 30, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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

**Budget Process**

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

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

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

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

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

**Multi-Year Budgeting and Planning**

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

1. Fixed two-year budgets are approved by the Board of Supervisors. For fiscal year 2025-26, all departments except for MTA, SFPUC, SFO, and the Port will have budgets open again for amendments.

2. A five-year financial plan and update, which forecasts General Fund revenues and expenses and summarizes expected public service levels and funding requirements for that period. The

December 2024 Five-Year 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 the Controller's Office on December 18, 2024, for fiscal year 2025-26 through fiscal year 2029-30. See "CITY BUDGET – December 2024 Five-Year Plan and FY 26 Mayor's Budget Instructions" 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 the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:

   - Non-Recurring Revenue Policy – This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for, or expectation of, substantial ongoing costs, including but not limited to discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt, or other long-term obligations.

   - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed under "Rainy Day Reserve" and "Budget Stabilization Reserve" below.

4. The City is required to submit labor agreements to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. In July 2024, the City entered into 28 MOUs representing miscellaneous bargaining units. The Controller's Office analysis found that the MOUs will result in increased costs to the City of $130.8 million (or 3.1%) of base wage and benefit cost in fiscal year 2024-25; $293.3 million (or 6.9%) in fiscal year 2025-26; and $471.6 million (or 11.1%) in fiscal year 2026-27. In addition, there is a wage increase of 2.5% on June 30, 2027, that will create additional costs in fiscal year 2027-28. Approximately 65% of the increased cost under the MOUs is supported by the General Fund. See "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS – Labor Relations."

**Role of Controller in Budgetary Analysis and Projections**

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

revenue shortfalls in the adopted City budget, upon receipt of such estimates, the Mayor is to inform the Board of Supervisors of actions to address this shortfall. The Board of Supervisors may adopt an ordinance to reflect the Mayor's proposal or alternative proposals in order to balance the budget.

**General Fund Results: Audited Financial Statements**

The City issued the ACFR, which includes the City's audited financial statements, for fiscal year 2023-24 on November 27, 2024.

Fiscal year 2023-24 General Fund balance increased from fiscal year 2022-23. As of June 30, 2024, the net available budgetary basis General Fund balance was $903.7 million, which is $51.6 million more than the $852.1 million available as of June 30, 2023. The portion of General Fund balance available for appropriation increased from the prior year by $51.5 million as a result of steps taken during fiscal year 2023-24 to de-appropriate and otherwise hold spending of previously budgeted funds. This increase, however, was more than offset by the reduction in fund balance not available for appropriation, resulting in a decline in total GAAP and budgetary basis fund balance.

The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the ACFR. 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-2 is extracted from information in the City's published ACFRs. Audited financial statements can be obtained from the City Controller's website https://sf.gov/annual-comprehensive-financial-reports-acfr. 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-2 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. See "CITY BUDGET – Five-Year Financial Plan: FY 2025-26 through FY 2029-30 and FY 2025-26 Mayor's Budget Instructions" for a summary of the most recent projections.

On a GAAP basis, the General Fund balance as of June 30, 2024 was $2.6 billion . Table A-4 focuses on the City's fund balances; General Fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2020 through June 30, 2024.

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**TABLE A-2**
**Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]**
**Fiscal Years 2019-20 through 2023-24**
**(000s)**

| **Revenues:** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |
|---|---|---|---|---|---|
| Property Taxes | $ 2,075,002 | $ 2,332,864 | $ 2,336,071 | $ 2,459,052 | $ 2,526,392 |
| Business Taxes | 822,154 | 722,642 | 861,172 | 850,593 | 868,932 |
| Other Local Taxes[2] | 996,180 | 709,018 | 1,115,553 | 1,108,545 | 1,036,816 |
| Licenses, Permits and Franchises | 25,318 | 12,332 | 32,078 | 28,953 | 29,702 |
| Fines, Forfeitures and Penalties | 3,705 | 4,508 | 5,755 | 3,191 | 6,484 |
| Interest and Investment Income | 65,459 | (1,605) | (93,447) | 68,319 | 180,387 |
| Rents and Concessions | 9,816 | 5,111 | 10,668 | 11,775 | 11,764 |
| Intergovernmental | 1,183,341 | 1,607,803 | 1,795,395 | 1,339,711 | 1,393,646 |
| Charges for Services | 229,759 | 230,048 | 238,438 | 243,234 | 281,393 |
| Other | 62,218 | 46,434 | 23,265 | 29,677 | 42,268 |
| Total Revenues | $ 5,472,952 | $ 5,669,155 | $ 6,324,948 | $ 6,143,050 | $ 6,377,784 |
| **Expenditures:** | | | | | |
| Public Protection | $ 1,479,195 | $ 1,498,514 | $ 1,562,797 | $ 1,654,953 | $ 1,730,773 |
| Public Works, Transportation & Commerce | 203,350 | 204,973 | 232,078 | 265,019 | 241,299 |
| Human Welfare and Neighborhood Development | 1,252,865 | 1,562,982 | 1,478,115 | 1,577,163 | 1,617,231 |
| Community Health | 909,261 | 1,056,590 | 1,002,047 | 967,381 | 947,867 |
| Culture and Recreation | 155,164 | 145,405 | 159,056 | 172,832 | 186,187 |
| General Administration & Finance | 304,073 | 314,298 | 298,742 | 301,748 | 293,959 |
| General City Responsibilities | 129,941 | 113,913 | 156,870 | 189,570 | 168,497 |
| Total Expenditures | $ 4,433,849 | $4,896,675 | $4,889,705 | $5,128,666 | $5,185,813 |
| Excess of Revenues over Expenditures | $ 1,039,103 | $772,480 | $1,435,243 | $1,014,384 | $1,191,971 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | $ 87,618 | $ 343,498 | $ 84,107 | $ 119,361 | $ 155,223 |
| Transfers Out | (1,157,822) | (1,166,855) | (1,209,383) | (1,316,074) | (1,354,857) |
| Other | - | (338) | (74,928) | (74,677) | (76,864) |
| Total Other Financing Sources (Uses) | ($1,070,204) | ($823,695) | ($1,200,204) | ($1,271,390) | ($1,276,498) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | ($ 31,101) | ($ 51,215) | $ 235,039 | ($ 257,006) | ($ 84,524) |
| Total Fund Balance at Beginning of Year | $ 2,717,023 | $ 2,685,922 | $ 2,670,104 | $ 2,905,143 | $ 2,648,137 |
| Cumulative effect of accounting change | | 35,397 | - | | |
| Total Fund Balance at End of Year -- GAAP Basis | $ 2,685,922 | $ 2,670,104 | $ 2,905,143 | $ 2,648,137 | $ 2,563,610 |
| Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End | | | | | |
| -- GAAP Basis | $ 395,776 | $ 179,077 | $ 325,664 | $ 150,628 | $ 228,515 |
| -- Budget Basis | $ 896,172 | $ 901,980 | $ 1,016,157 | $ 852,147 | $ 903,673 |

(1) Summary of financial information derived from City ACFRs. 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) Other Local Taxes includes sales, hotel, utility users, parking, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

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

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

**Rainy Day Reserve**

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 below. 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. 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% of the excess revenues to the City Reserve;
- 12.5% of the excess revenues to the School Reserve (not shown in Table A-3 because it is it is reserved for SFUSD and not part of the General Fund,);
- 25% of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25% of the excess revenues to any lawful governmental purpose.

The fiscal year 2022-23 ending balance of the Rainy Day Economic Stabilization City Reserve was $114.5 million, as shown in Table A-3. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in fiscal years 2023-24, 2024-25 or 2025-26, preserving the balance of $114.5 million in those years.

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

**Budget Stabilization Reserve**

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-4 below. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One-Time Reserve was $330.0 million at the end of fiscal year 2023-24, with an ending balance of $275.1 million in the Budget Stabilization Reserve and $54.8 million in the Budget Stabilization One-Time Reserve. As with the Rainy Day Reserve under Proposition C, the City is not permitted to withdraw from the Budget Stabilization Reserve in fiscal years 2023-24, 2024-25 or 2025-26, maintaining the fiscal year 2022-23 balance of $275.2 million.

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

**Salaries, Benefits and Litigation Reserves**

The City maintains two reserves to offset potential expenses, which are available to City departments through a Controller's Office review and approval process. These are shown in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-4 below. These include the Salaries and Benefit Reserve (balance of $1.8 million as of fiscal year 2023-24) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of $282.7 million in fiscal year 2023-24) are combined for reporting purposes. The purpose of the latter is to manage patient revenue volatility in the Department of Public Health.

**General Reserve**

The City maintains a General Reserve, shown as part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-4 below. The fiscal year 2023-24 balance of $135.7 million includes $128.1 million of General Reserve, as well as two smaller, unrelated reserves. On December 16, 2014, the Board of Supervisors adopted financial policies which increased the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City appropriates a withdrawal from the Rainy Day reserve. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal years 2020-21 and 2021-22, the City withdrew from the Rainy Day Reserve and reset its General Fund Reserve deposit requirement to 1.5% of General Fund revenues in those years. See "CITY BUDGET – Five-Year Financial Plan Update: FY 2025-26 through FY 2029-30 and FY 2025-26 Mayor's Budget Instructions" for a summary of the most recent projections.

**Fiscal Cliff Reserve**

The Fiscal Cliff Reserve was created for the purpose of managing projected budget shortfalls following the spend down of federal and state pandemic stimulus funds and other one-time sources. In fiscal year 2021-22, $64.2 million of the Fiscal Cliff Reserve was appropriated through a supplemental appropriation ordinance for rent relief and social housing. As a result, the fiscal year 2021-22 reserve balance was $229.8 million. The fiscal year 2022-23 and 2023-24 budgets appropriated $9.3 million and $90.2 million respectively. However, given the City's fiscal year 2023-24 results, the City only needed to use $38.0 million leaving a balance of $182.4 million for future years.

**Operating Cash Reserve**

Although 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-3**
**Summary of General Fund Fund Balances**
**Fiscal Years 2019-20 through 2023-24**
**(000s)**

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|---|---|---|---|---|
| Restricted for rainy day (Economic Stabilization account)[1] | $ 229,069 | $ 114,539 | $ 114,539 | $ 114,539 | $ 114,539 |
| Restricted for rainy day (One-time Spending account) [1] | - | - | - | - | - |
| Committed for budget stabilization (citywide) [2] | 362,607 | 320,637 | 320,637 | 330,010 | 330,010 |
| Committed for Recreation & Parks savings reserve | 803 | - | - | - | |
| Assigned, not available for appropriation | | | | | |
| Assigned for encumbrances | $ 394,912 | $ 407,137 | $ 462,668 | $ 424,301 | $ 431,461 |
| Assigned for appropriation carryforward | 630,759 | 753,776 | 940,213 | 840,748 | 569,737 |
| Assigned for budget savings incentive program (Citywide) | - | - | - | - | - |
| Assigned for salaries and benefits[3] | 25,371 | 5,088 | 17,921 | 27,927 | 1,807 |
| Assigned for Self-Insurance[4] | - | 42,454 | 45,567 | 46,496 | 43,362 |
| Assigned for Hotel Tax Loss Contingency | - | 6,000 | 3,500 | 3,500 | - |
| Total Fund Balance Not Available for Appropriation | $1,643,521 | $1,649,631 | $1,905,045 | $1,787,521 | $1,490,916 |
| Assigned and unassigned, available for appropriation | | | | | |
| Assigned for litigation & contingencies[3] | $ 160,314 | $ 173,591 | $ 235,133 | $ 259,230 | $ 282,731 |
| Assigned for subsequent year's budget | 370,405 | 173,989 | 307,743 | 122,701 | 226,708 |
| Unassigned for General Reserve[5] | 78,498 | 78,333 | 57,696 | 64,707 | 135,714 |
| Unassigned - Budgeted for use second budget year | 84 | - | 149,695 | 291,710 | 228,502 |
| Unassigned - Projected for use third and fourth budget year | - | - | 163,400 | 81,190 | 154,861 |
| Unassigned - Reserve for Other Contingencies | - | - | - | - | - |
| Unassigned - COVID-19 Contingency Reserve[6] | 507,400 | 113,500 | 13,999 | - | - |
| Unassigned - Conditional Increment Reserve | - | - | - | - | 402 |
| Unassigned - Federal & State Emergency Revenue Reserve[6] | - | 100,000 | 81,300 | 81,300 | 81,300 |
| Unassigned - Fiscal Cliff Reserve[6] | - | 293,900 | 229,750 | 220,432 | 182,425 |
| Unassigned - Business Tax Stabilization Reserve | - | 149,000 | 29,454 | 29,454 | 29,454 |
| Unassigned - Gross Receipts Prepayment Reserve | - | 26,000 | - | - | - |
| Unassigned - Public Health Use in FY 2023-24 | - | - | - | 21,213 | - |
| Unassigned - Other Reserve | 3,000 | 13,807 | 1,021 | 1,021 | 21 |
| Unassigned - Available for future appropriation | 18,283 | 31,784 | 39,795 | 3,126 | - |
| Total Fund Balance Available for Appropriation | $1,137,984 | $1,153,904 | $1,308,986 | $1,176,084 | $1,322,118 |
| Total Fund Balance, Budget Basis | $2,781,505 | $2,803,535 | $3,214,031 | $2,963,605 | $2,813,034 |
| Budget Basis to GAAP Basis Reconciliation | | | | | |
| Total Fund Balance - Budget Basis | $2,781,505 | $2,803,535 | $3,214,031 | $2,963,605 | $2,813,034 |
| Unrealized gain or loss on investments | 36,626 | 3,978 | (156,403) | (158,859) | (79,138) |
| Nonspendable fund balance | 1,274 | 2,714 | 4,134 | 1,174 | 1,001 |
| "Cumulative Excess Property Tax Revenues Recognized on a Budget Basis | (20,655) | (31,745) | (32,874) | (40,685) | (54,052) |
| "Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis | (139,590) | (120,569) | (118,791) | (111,163) | (114,312) |
| Inventories | 33,212 | 17,925 | - | - | - |
| Pre-paid lease revenue | (6,450) | (5,734) | (4,954) | (5,935) | (2,923) |
| Total Fund Balance, GAAP Basis | $2,685,922 | $2,670,104 | $2,905,143 | $2,648,137 | $2,563,610 |

(1) See "Rainy Day Reserve."

(2) See "Budget Stabilization Reserve."

(3) See "Salaries, Benefits and Litigation Reserves."

(4) Due to GASB 84 implementation, the self-insurance and other general City activities from the former Payroll (Agency) Fund became part of the General Fund. The balance represents a fund collected and restricted for self-insurance purposes.

(5) See "General Reserve."

(6) See "Fiscal Cliff Reserve."

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

**Recent Reports**

The following sections describe recent reports on the City's financial condition, presented with the most recent report first, followed by prior reports.

**February 2025 Six-Month Report**

On February 18, 2025, the Controller's Office issued the Six-Month Budget Status Report (the "February 2025 Six-Month Report"). The February 2025 Six-Month Report noted that:

- The Controller's Office projects a $367.2 million General Fund ending balance in Fiscal Year 2024-25, a $35.7 million improvement from the $331.5 million balance in the December 2024 Five-Year Plan. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $840.2 million from the previous projected shortfall of an $875.9 million. However, significant risks to this projection remain, most notably from uncertainty in the economy and potential policy changes affecting federal revenue.

- Citywide revenues are projected to be $114.1 million below the FY25 & FY26 Original Budget, or $68.5 million below the projection for Fiscal Year 2024-25 in the December 2024 Five-Year Plan. Property tax is projected to be $55.8 million below the FY25 & FY26 Original Budget as figures are updated to increase appeals reserves to reflect appeals filed by the September 2024 filing deadline and refunds of taxes paid year to date. Business tax revenue is projected to be $22.8 million below budget as Proposition M approved by the voters in November 2024 eliminated a scheduled tax increase. Shortfalls in sales tax revenues (including realignment) reflect year to date weakness in cash receipts at both the local and state levels. The projected shortfall in hotel tax is based on weak receipts in the first half of the fiscal year and assumed improvement in the second half. These shortfalls are partially offset by strength in real property transfer tax revenue and interest income.

- Departments are projected to end Fiscal Year 2024-25 with a $97.7 million net surplus including:

  - A total of $19.9 million of expenditure savings from the close out of continuing projects, including $10.5 million at the Department of Children, Youth and Their Families and $3.0 million at the Mayor's Office of Housing and Community Development. Amounts that require Board of Supervisors approval to deappropriate will be noted in the Controller's June 2025 Revenue Letter and will be placed on Mayor's reserve in the interim. In addition, $2.5 million of annual project expenditures at the Department of Public Health related to sugary drinks distributor tax programs will be placed on reserve.

  - A total of $77.8 million in operating savings identified by departments includes a net $40.0 million revenue surplus and $37.8 million in expenditure savings, primarily generated as a result of a September 2024 Mayor's Office mid-year personnel savings target of 3.5%, additional hiring restrictions announced by the Mayor's Office in January 2025, and other operating conditions. The Department of Public Health is projected to have a $61.6 million surplus, including $59.0 million in revenue above budget due to surplus San Francisco Health Network revenue, partially offset by a patient revenue shortfall at Laguna Honda Hospital caused by the pause on new admissions during recertification. An operating surplus of $16.7 million at the Human Services Agency is offset by revenue shortfalls at Public Works and City Planning and overspending at the Sheriff's department.

- The Police, Fire, Emergency Management and Sheriff's departments, and the Public Utilities Commission, will require additional supplemental appropriations for overtime. To the extent these are not funded by reallocation of existing expenditure appropriation, such supplementals could reduce available fund balance. Any additional supplemental appropriations using projected revenue surpluses or

expenditure savings displayed in this report will reduce fund balance available to solve the projected FY 2025-26 and FY 2026-27 shortfall identified in the December 2024 Five-Year Plan.

- Projections assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. Since January 20, 2025,the new federal administration has issued a number of Executive Orders and agency directives to eliminate, reduce, or condition federal funding based on the President's immigration, LGBTQ+, energy, and DEI/DEIA program policy preferences. The Office of Management and Budget ("OMB") announced a federal funding freeze on January 27, 2025 and rescinded the funding freeze memo on January 29, 2025 after a pair of legal challenges. Two courts have since entered temporary restraining orders after concluding that freezing federal assistance was likely illegal. But, that litigation and the threat to the City's federal funding remain ongoing. For example, the courts may lift part or all of the funding freeze. In addition, other federal agencies continue to initiate processes to implement the administration's desired funding cuts. The City Attorney's Office is working with the Mayor's Office and City departments to evaluate legal options to protect federal funds received by the City.

  Specifically, the FY25 & FY26 Original Budget assumes $80.0 million of FEMA reimbursements for COVID response costs, of which $51.7 million is confirmed in the current year to date, and the projection currently assumes total reimbursements at budgeted levels. COVID claims are currently undergoing eligibility reviews by CalOES (California Office of Emergency Services). The City has the option to appeal costs deemed ineligible. See "BUDGETARY RISKS - Impact of Federal Government on Local Finances."

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The following table shows variances between the FY25 & FY26 Original Budget, the December 2024 Five-Year Plan and the February 2025 Six-Month Report. The February 2025 Six-Month Report notes that the variances from the December 2024 Five-Year Plan are largely due to worsening expectations for property, hotel and sales taxes.

**General Fund Citywide Revenues Variances to Budget ($ millions)**

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 | | | Variance in February 2025 Six-Month Report | |
|---|---|---|---|---|---|---|
| | Actuals | FY25 & FY26 Original Budget | December 2024 Five-Year Plan | February 2025 Six-Month Report | Vs Adopted Budget | Vs December 2024 Five-Year Plan |
| Traditional Property Tax | 2,142.1 | 2,158.0 | 2,167.0 | 2,107.0 | (51.0) | (60.0) |
| Excess ERAF | 397.2 | 311.6 | 298.0 | 306.8 | (4.8) | 8.8 |
| **Property Tax Total** | **2,539.4** | **2,469.6** | **2,465.0** | **2,413.8** | **(55.8)** | **(51.2)** |
| Business Taxes | 868.9 | 1,023.0 | 995.4 | 1,000.2 | (22.8) | 4.8 |
| Sales Tax - Local 1% | 190.5 | 193.7 | 188.0 | 182.8 | (10.9) | (5.2) |
| Hotel Room Tax | 251.2 | 285.2 | 254.1 | 246.9 | (38.3) | (7.2) |
| Utility User & Access Line Taxes | 186.6 | 164.5 | 168.8 | 168.8 | 4.3 | - |
| Parking Tax | 86.2 | 86.9 | 86.9 | 86.9 | - | - |
| Real Property Transfer Tax | 177.7 | 218.9 | 229.6 | 229.6 | 10.8 | - |
| Sugar Sweetened Beverage Tax | 11.6 | 12.7 | 11.6 | 11.6 | (1.1) | - |
| Stadium Admissions Tax | 8.6 | 7.4 | 8.6 | 8.6 | 1.2 | - |
| Cannabis Tax | - | - | - | - | - | - |
| Franchise Taxes | 17.4 | 16.2 | 17.1 | 17.1 | 0.8 | - |
| Interest Income | 171.4 | 146.7 | 164.4 | 164.4 | 17.7 | - |
| FEMA Disaster Relief | 73.3 | 80.0 | 87.0 | 87.0 | 7.0 | - |
| Health & Welfare Realignment | 264.6 | 283.6 | 269.3 | 264.8 | (18.8) | (4.5) |
| Public Safety Realignment | 55.6 | 55.4 | 54.9 | 51.9 | (3.5) | (3.0) |
| Public Safety Sales Tax | 97.2 | 99.6 | 96.9 | 95.7 | (3.9) | (1.2) |
| Airport Transfer In | 55.6 | 58.3 | 58.3 | 57.5 | (0.9) | (0.9) |
| Commercial Rent Tax Transfer In | 28.4 | 28.1 | 28.1 | 28.1 | (0.0) | - |
| **Total Citywide Revenues** | **5,084.0** | **5,229.7** | **5,184.1** | **5,115.6** | **(114.1)** | **(68.5)** |

**December 2024 Five-Year Plan and FY26 Mayor's Budget Instructions**

The Five-Year Financial Plan (the "Five-Year Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires that, every two years, the City must 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. The Charter also requires that by March 1 of each odd-numbered year, the Mayor submit a Five-Year Plan to the Board. The City's Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisor's Budget Analyst, and Controller submit an updated estimate for the remaining four years of the most recently adopted Five-Year Plan.

On December 18, 2024, the Mayor's Office, Controller's Office, and Board of Supervisors Budget and Legislative Analyst's Office issued the "Proposed Five-Year Financial Plan Fiscal Years 2025-26 through 2029-30" (the "December 2024 Five-Year Plan"). The December 2024 Five-Year Plan projects that that, over the next five years, the City's revenue outlook will improve, supported by recent changes in San Francisco's tax structure

and modest economic growth. However, this improvement will be tempered by post-pandemic economic realities and the depletion of one-time funding sources. At the same time, the cost of City services is projected to grow significantly, surpassing revenue growth each year of the five-year period.

The City anticipates budget deficits in each of the next five years without proactive measures taken to address the imbalance between revenues and expenditures. Unlike the significant budget shortfalls that followed the 2001 and 2008 recessions, the current outlook highlights longer-term structural challenges, even without the occurrence of another recession. Given this economic context, the fiscal strategies outlined emphasize implementing ongoing spending reductions to balance the budget in each year. These reductions are grouped into the main categories of labor, infrastructure, and contracts.

The December 2024 Five-Year Plan states it was issued during a period of transition, as the City transitioned from the administration of Mayor London Breed to that of Mayor Daniel Lurie, who assumed office on January 8, 2025. The December 2024 Five-Year Plan notes that, as the incoming administration refines its policy priorities within the constraints of the two-year and long-term structural deficits, the December 2024 Five-Year Plan provides a high-level framework to inform decision making.

The following table is excerpted from the December 2024 Five-Year Plan and sets forth projected changes from the Annual Appropriations Ordinance ("AAO") Budget for fiscal year 2025-26. (The AAO is the legislation adopted after the Board of Supervisors reviews and amends the Mayor's Proposed Budget that enacts the annual budget).

The remainder of this section summarizes certain information from the December 2024 Five-Year Plan.

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**TABLE A-4**
**Five-Year Financial Plan**
**Fiscal Years 2025-26 through 2029-30**
**Base Case - Summary of General Fund-Supported Projected Budgetary Surplus/(Shortfall)**
**Projections as of December 18, 2024**
**($ Millions)**

| | Change from AAO Budget | Projection | | | | |
|---|---|---|---|---|---|---|
| | 2025-26 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
| **SOURCES Increase / (Decrease)** | **$(203.2)** | **$(9.2)** | **$132.9** | **$225.8** | **$350.4** | **$518.6** |
| **Uses** | | | | | | |
| Baselines & Reserves | (1.5) | (53.6) | (147.1) | (232.1) | (255.8) | (254.0) |
| Salaries & Benefits | 0.4 | (175.7) | (350.4) | (607.0) | (795.3) | (943.1) |
| Citywide Operating Budget Costs | (7.0) | (18.7) | (125.0) | (235.4) | (316.1) | (392.5) |
| Departmental Costs | (41.8) | 4.0 | (133.1) | (204.6) | (317.8) | (400.2) |
| **Uses Decrease / (Increase)** | **$(50.0)** | **$(244.0)** | **$(755.7)** | **$(1,279.1)** | **$(1,684.9)** | **$(1,989.8)** |
| **Projected Cumulative Surplus /(Shortfall)** | **$(253.2)** | **$(253.2)** | **$(622.7)** | **$(1,053.3)** | **$(1,334.5)** | **$(1,471.2)** |

Key assumptions in the December 2024 Five-Year Plan: The December 2024 Five-Year Plan noted key assumptions, including the following:

- *No major changes to service levels or number of employees*: The December 2024 Five-Year Plan projection assumes no major changes to policies, service levels, or the number of employees from previously adopted fiscal year 2024-25 and fiscal 2025-26 budgeted levels unless specified below.

- *Weak growth but no recession*: The December 2024 Five-Year Plan projection report assumes changes in office use that occurred during the pandemic will continue, affecting commercial and residential real estate and taxable gross receipts. The recovery in travel and tourism is slower than prior forecasts, reflecting weakness in business travel and convention activity.

- *Implementation of measures adopted by voters in the November 2024 election*: The December 2024 Five-Year Plan projections assume additional expenditures and changes in business tax revenue resulting required by the measures enacted by the voters in November 2024.

- *Previously negotiated wage increases and inflationary increases for open contracts in line with CPI*: The December 2024 Five-Year Plan projection reflects the additional salary and benefit costs for previously negotiated, closed labor agreements. After the expiration of closed contracts, the December 2024 Five-Year Plan projects salary increases equal to the change in CPI of 2.67% in fiscal year 2026-27, 2.69% in fiscal year 2027-28, 2.41% in fiscal year 2028-29, and 2.40% in fiscal year 2029-30.

- *Pension investment returns meet expectations and assume a partial supplemental COLA*: The December 2024 Five-Year Plan projection assumes a return on San Francisco Employees' Retirement System (SFERS) assets of 7.2 percent, the actuarially assumed rate of return. Under the City Charter, returns of 7.3 percent starts to generate a trigger a supplemental COLA for the non-Prop C retirees. The projection assumes half of a full supplemental COLA each year for non-Prop C retirees. The impact of future supplemental COLA on contribution rates and funded status is most negative when investment returns are just high enough to trigger a full supplemental COLA. Since preparing the estimated cost of

retirement, the Retirement Board on December 11, 2024 reported that the fiscal year 2024 returns triggered a supplemental COLA that resulted in an additional 0.5% increase for non-Prop C retirees. The forecast update in March 2025 will incorporate this update, along with other new information.

- *Health insurance cost increases*: Based on healthcare utilization trends and benchmarks, the December 2024 Five-Year Plan projection assumes that the employer share of health insurance costs for active employees will increase an average of 6.1 percent annually over the five years. Retiree health costs are assumed to grow by an average of 7.4 percent annually over the five years.

- *Inflationary increase on non-personnel operating costs*: The December 2024 Five-Year Plan projection assumes that the cost of materials and supplies, professional services, contracts with community-based organizations, and other non-personnel operating costs will increase by the rate of Consumer Price Index (CPI) starting in fiscal year 2025-26 and thereafter. The projection reflects the adopted fiscal year 2024-25 and fiscal year 2025-26 budget, which included a 3.0% cost-of-doing business increase for General Fund nonprofit contracts in fiscal year 2024-25 and remained flat in fiscal year 2025-26.

- *Deposits to and withdrawals from reserves*: Because General Fund revenue is forecasted to grow slowly year- over-year, the City is not eligible to withdraw from its Rainy Day or Budget Stabilization reserves. The projection assumes $138.0 million of withdrawals from other reserves as approved in the adopted fiscal year 2024-25 and fiscal year 2025-26 budget. In accordance with Administrative Code Section 10.60(b), deposits to the General Reserve are assumed in all years of the plan period, increasing from 2.5 percent of General Fund revenue in fiscal year 2025-26 to 3.0 percent in fiscal year 2027-28. Deposits to the Budget Stabilization Reserve are expected in fiscal year 2026-27 through fiscal year 2029-30, as real property transfer tax revenues exceed the prior five-year average.

- *State fiscal condition*: The December 2024 Five-Year Plan currently assumes excess ERAF revenue of $298.0 million in fiscal year 2024-25, $264.6 million in fiscal year 2025-26, $239.3 million in fiscal year 2026-27, $230.8 million in fiscal year 2027-28, $235.1 million in fiscal year 2028-29, and $245.2 million in fiscal year 2029-30. In its November 2024 multi-year budget outlook, the state Legislative Analyst's Office projects the state's fiscal year 2025-26 General Fund budget will likely remain balanced, as spending increases are projected to be offset by the recent stock market rally, which increased earnings of the highest-income residents and state income tax revenue. However, given underlying weakness in employment and consumer spending, anticipated annual revenue growth of 4.0 percent will not keep pace with spending growth of 5.8 percent through the forecast period, resulting in deficits from fiscal year 2026-27 onward. The City should therefore be prepared for continued legislative proposals to shift more ERAF to schools, which would reduce state school funding burdens and reduce excess ERAF that reverts to the City. In addition, any deficit would likely reduce discretionary state funding for housing, criminal justice, and other local government grants.

Key factors that could affect the projections: The December 2024 Five-Year Plan noted key factors that could materially impact the City's financial condition, including the following:

- *Inflationary pressures lead to higher interest rates and slower, or negative, economic growth*. The December 2024 Five-Year Plan assumes very modest revenue growth over the forecast period given continued but tepid economic recovery. It does not assume a recession. If policy and economic factors tip the nation into recession, and if local policymakers chose to completely deplete the City's economic stabilization reserves to manage it, we estimate such a recession would increase the total shortfall amount by $339.0 million over the forecast period.

- *Pending or proposed new programs or legislation*: No pending or proposed legislative changes with a fiscal impact are assumed in the December 2024 Five-Year Plan. Legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Several appropriations

for new program initiatives are pending at the Board of Supervisors, and others may be proposed. Subsequent projections will include impacts from any final adopted legislation.

- *New business tax structure*: Administrative decisions including methods of apportionment and business decisions to delay filings as allowed by Measure M that are different than those assumed in this forecast could affect revenue amounts and timing.

- *State fiscal condition*: The December 2024 Five-Year Plan projections assume state subvention revenues updated for fiscal year 2023-24 year-end results and current statewide sales tax projections, and that excess ERAF allocations continue under existing law. As a result of potential State financial stress, the City should anticipate legislative proposals to reduce the state's school funding burden by increasing schools' ERAF draws, which would reduce excess ERAF that reverts to the City. In addition, discretionary state funding for housing, criminal justice, and other local government grants could decline.

- *Federal funding changes*: The fiscal year 2024-25 budget includes approximately $1.8 billion in federal funding, including funds received directly from the federal government and federal funding that is passed through the state. Health care services are the single largest program funded through the federal budget, largely via Medicare and Medicaid. To the extent the new presidential administration and Congress pursue changes to health care programs, these could affect City revenues and expenditures. For example, previously proposed actions such as reducing health insurance premium subsidies under the Affordable Care Act would likely reduce coverage and increase the demand for uncompensated services in the public health care system, as would seeking to reduce Medicaid enrollment by reducing matching funds for states and imposing work requirements and benefit limits. The forecast assumes no changes to federal policy regarding these or any other programs, and assumes the City is reimbursed for just under $245 million of pandemic and winter storm emergency response costs, which are subject to Congressional appropriation.

Potential Corrective Strategies: The December 2024 Five-Year Plan notes that the deficit projections reflects the long-term structural deficit and post-COVID-19 economic realities challenging San Francisco. Each year between fiscal year 2025-26 and fiscal year 2029-30, the budget gap is projected to grow by between $280 million and $460 million. To the extent each year's budget is not balanced with ongoing solutions, it exacerbates the shortfall, resulting in the approximately $1.5 billion annual deficit by fiscal year 2029-30. Current possible strategies to address the immediate $876 million two-year budget deficit identified in the December 2024 Five-Year Plan, as well as the longer-term projected five-year deficit, focus on spending reductions and are divided into departmental solutions and Citywide policy decisions.

Additionally, identifying redundancies in City operations offers a cross-departmental opportunity for ongoing savings. City leaders will review proposed savings from departments and Citywide stakeholders that aim to eliminate duplicate efforts, consolidate and centralize functions, and promote long-term efficiency. This initiative is supported by the Mayor's budget instructions, which require departments to reorganize, eliminate redundancies, and identify consolidation opportunities.

The December 2024 Five-Year Plan notes that all departments meeting the required budget targets identified in the FY 2025-26 Mayor's Budget Instructions will generate sufficient savings to close approximately $815 million, or 93 percent, of the currently projected two-year $876 million deficit. The main cost categories for City leaders to consider are labor, infrastructure, and contracted services (including grants).

Recession Planning Scenarios: The December 2024 Five-Year Plan contains a planning scenario which assumes a hypothetical recession beginning in late fiscal year 2024-25, with revenues declines by the average percent decline seen in the prior recessions in the early 2000's and in 2008 and following years. Projected net revenue losses (after taking into account reduced reserve deposits and the use of $389.7 million in economic

stabilization reserves) would result in a net remaining deficit of approximately $1,311.6 million over the five-year period.

FY26 Mayor's Budget Instructions

In December 2024, the Mayor's Office issued budget instructions (the "FY26 Mayor's Budget Instructions"), which contained a summary of the findings in the December 2024 Five-Year Plan, including the significant deficits contained therein. The FY 2025-26 Mayor's Budget Instructions also note that, since the COVID pandemic, the City has relied heavily on one-time sources to balance recent budgets. These one-time sources include federal disaster relief, and use of General Fund reserves and fund balance. (The FY 2025-26 Mayor's Budget Instructions noted that there is significant uncertainty in as to receiving outstanding FEMA reimbursements.) These one-time sources are expected to be depleted by the end of fiscal year 2027-28.

The FY26 Mayor's Budget Instructions also identify particular risks including revenue losses to the City which may result from State financial difficulties, federal policies implemented by the incoming Trump administration, declining property values resulting from assessment appeals, and business tax appeals which threaten over $400 million in business tax revenue. The FY26 Mayor's Budget Instructions also noted that health care costs escalation has increased, office vacancies remain elevated, and hospitality industry recovery is slowing.

As a result of the foregoing, the FY26 Mayor's Budget Instructions to departments direct ongoing, permanent spending reductions of 15% starting in fiscal year 2025-26, a re-examination of all contractual services and non-personnel expenditures, elimination of positions that are currently vacant, the consideration of future hiring freezes, and cessation of overnight and air travel.

Subsequent to the issuance of the FY 2025-26 Mayor's Budget Instructions, on January 9, 2025, Mayor Lurie announced a Citywide hiring freeze through the end of the fiscal year. Certain exemptions will be permitted including new hires to support public health, public safety, and other core City priorities.

**FY25 & FY26 Original Budget and Revenue Letter**

The FY25 & FY26 Original Budget was approved by the Board of Supervisors on July 30, 2024, and signed by the Mayor on August 1, 2024. See "CITY BUDGET – Budget Process" for additional detail. The FY25 & FY26 Original Budget reflects $15.9 billion of expenditures in fiscal year 2024-25 and $15.5 billion in fiscal year 2025-26. The $789.3 million two-year shortfall projected during development of the budget was addressed primarily through the use of $135.7 million of fund balance, $236.6 million in projected revenue increases, and $68.8 million use of special funds, as well as $302.0 million of net departmental budget reductions and other operating savings. (Such operating savings were offset by increases in capital and information technology costs and new labor costs.)

The Charter requires that the Controller comment on revenue estimates assumed in the Mayor's fiscal year 2024-25 and fiscal year 2025-26 proposed budget. These comments were issued in the Revenue Letter on June 10, 2024. The revenue estimates assumed in the proposed budget were not materially different from the budget finally passed and approved later in the summer.

As described herein, subsequent reports have been issued, which have also identified financial pressures.

While the Controller found the revenue assumptions in the Mayor's proposed budget to be reasonable, the Controller noted that the City faces several key financial risks in upcoming fiscal years. These risks include: the projected structural budget gap following depletion of one-time funds; economic risk; funding uncertainty at Laguna Honda Hospital; State budget revenue risk; disallowance of claims for federal revenues assumed in the City's emergency response budgets; and potential cost increases resulting from November 2024 ballot measures.

**Key findings in the June 2024 Revenue Letter included:**

- **Tax revenue projections generally assume a continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.** Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow slowly during the coming two years, but in most cases remain below pre-pandemic levels. Remote work and high interest rates are projected to continue to have significant impacts on the City's property, business, and property transfer taxes. Tax increases adopted by the voters in recent years are projected to contribute to modest overall General Fund tax revenue growth of 2.2% in fiscal year 2024-25 compared to the fiscal year 2023-24 Nine Month Report and 3.5% in fiscal year 2025-26 compared to fiscal year 2024-25 projection.

- **The proposed budget assumes $1 billion of General Fund-related one-time solutions over the two budget years.** These include drawdown of $445.5 million in prior year fund balance, including $106.1 million in prior year General Fund appropriations the Mayor's budget proposes to close. While deficit forecasts in the most recent update to the Five-Year Financial Plan assumed available fund balance to be used evenly across the first three years of the forecast, the proposed budget accelerates the use of fund balance, spending $45.2 million previously held to address the fiscal year 2026-27 shortfall. It also assumes $235.7 million of FEMA reimbursement for previously incurred emergency response costs; $138.3 million of reserve drawdowns; and at least $82.5 million of other one-time revenue in General Fund-supported funds. Additionally, the budget proposes at least $137.6 million of short-term cost shifts in other funds, with a significant portion designed to achieve General Fund savings.

- **The budget draws on available reserves but maintains the City's economic stabilization reserves.** The proposed budget uses $138.3 million of reserves funded in prior years and maintains the current balance of $389.7 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined "Economic Stabilization Reserves"), as the City is not expected to be eligible to withdraw from or deposit to these reserves. Required General Reserve funding levels are maintained in the proposed budget. Excluding economic stabilization reserves, by the end of the two-year budget period, the City is expected to have $304.6 million (or 38%) of its roughly $800 million of pre-pandemic reserves available for on-going operations.

- **The proposed budget makes minimal progress towards closing projected structural budget gaps in years beyond the coming two-year budget period.** As one-time solutions are depleted, the structural budget gap will become larger, making future budgets more difficult to close. In March 2024 the City forecasted a structural budget gap of $927 million in fiscal year 2026-27, growing in subsequent years, absent ongoing corrective action by policy makers. Based on the mix of ongoing and one-time solutions proposed in the Mayor's budget, as well as known labor contract costs above the previously assumed levels in fiscal year 2026-27, the shortfall likely remains more than $800 million in fiscal year 2026-27, growing in subsequent years.

- **The final adopted budget will require active monitoring and management by the Mayor and Board of Supervisors given a number of economic and financial risks. These risks include the possibility of a slowing economic recovery or a recession, risks associated with both State and Federal revenue streams, and financial impacts of potential November 2024 ballot measures.**

## BUDGETARY RISKS

In addition to the budgetary risks described below, see "CITY BUDGET – FY25 & FY26 Original Budget and Revenue Letter".

**Threat of Recession**

An economic recession could adversely impact the City's economy and the financial condition of the General Fund. During the "Great Recession" that occurred nationally from December 2007 to June 2009 (according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3% in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017.

**Impact of Commuting Pattern Changes on Business Taxes**

The persistence of remote work results in continued pressure on the City's General Fund revenues. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Continued high levels of telecommuting and work from anywhere policies may affect how much of any business's gross receipts are apportionable to the City. Muni metro and downtown BART ridership have not returned to pre-pandemic levels. Indicators of auto use – bridge crossings and freeway speed – both indicate less traffic. As of October 2024, bridge crossings into and out of the City have reached to about 93% of pre-pandemic levels. Comparatively, the bridge crossings were at their post-pandemic peak in October 2023 at approximately 91% of pre-pandemic levels.

Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

**Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues**

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the 4th quarter of 2019 to 34.5% in the 3rd quarter of 2024. The high vacancy rate, along with continuing uncertainty regarding the return-to-office plans of major office tenants, has reduced both the volume of office transactions, and the per-square foot value of these sales. According to CoStar, downtown office sales transactions have averaged 5-6 per quarter since 2020, down from an average of 10-20 per quarter before the pandemic. The per-square foot market value of office properties in the City is, as of the 3rd quarter of 2024, down 40% from the pre-pandemic high of $860 per square foot, across all property classes.

The market value of commercial real estate reflects the current and future income that the market expects the property to generate. If expectations of future income streams are reduced, then the market value of office properties will be reduced.

A reduction in demand from tenants is not the only thing that could reduce the market value of San Francisco office buildings in the near future. Using an income valuation approach, the market value of properties is commonly estimated as the property's net operating income, divided by its capitalization rate (its effective rate of return). Capitalization rates are generally calculated from the sales of comparable properties, and vary across markets, and over time, according to changes in investors' perception of risk, and the risk-free rate of return. When investors perceive greater risk, they require a higher rate of return, and the spread between that asset's capitalization rate and the risk-free rate widens. When the capitalization rate rises, for whatever reason, the market value of a property will decline, all other things being equal.

The market value of a property is important for property tax revenue because a property's assessed value – the basis of its property tax liability – may not exceed its market value. If a property owner believes a property

is assessed above its market value, they can request a reduction in assessment from the Assessor, and/or appeal a decision to the Assessment Appeals Board. The gap between current market and assessed values is narrowed somewhat by the effect of Proposition 13, which caps growth in assessed value at 2% per year unless a sale or new construction prompts a reassessment. Given that market values have typically increased at much higher rates over the years, properties that have not been recently sold have been assessed below market value. In other words, Proposition 13 effectively cushions the City's property tax base from downturns in property markets, at the cost of reduced growth in property tax revenue during periods of strong economic growth.

Given assessment appeal hearing timelines, there is a significant lag between the filing of appeals and completion of hearings at the Assessment Appeals Board ("AAB"). As of June 30, 2024, the City is holding $217.3 million in AAB reserves for the General Fund's portion of refunds on approximately $37.5 billion in prior years' assessed value reductions, plus interest. Reserve balances are projected to grow given the capacity for hearings and requests for delays from commercial property owners' agents. As of the December 2024 Five-Year Plan, General Fund property tax revenue required to pay refunds that result from AAB decisions is estimated at $105.3 million for fiscal 2024-25, $135.9 million for fiscal year 2025-26, $163.8 million for fiscal year 2026-27, $153.5 million for fiscal year 2027-28, $132.2 million for fiscal year 2028-29, and $107.7 million for fiscal year 2029-30, respectively, directly reducing property tax revenue in the year of deposit.

The City cannot predict the actual level of revenue losses, however the City will continue to account for these trends in its periodic reports.

**Business Tax Litigation**

As of June 30, 2024, the City has reserved $572 million of tax collections for litigation risk associated with its various business taxes, including approximately $292 million for gross receipts tax and $238 million for homelessness gross receipts tax. The majority of the litigation and claims relate to the validity, methodology and/or calculation of the various business taxes. The amount of claims and litigation continues to increase. Although more than 10,000 businesses pay the gross receipts tax that accrues to the General Fund, the top ten payers accounted for 27% of the revenue in tax year 2022. The top ten payers accounted for 28.7% of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive taxes – in tax year 2023. The legal issues raised vary by claimant and are generally in the early stages of the claims and litigation process.

In addition, in December 2024, a ride share company challenged $100 million in business taxes imposed by the City over the last five years.

The City is vigorously defending itself in these matters. However, there can be no assurances that the final determination of particular claims or litigation matters would not be applicable to other similarly situated taxpayers in the City and thus have broader applicability, and correspondingly increase the City's financial exposure. The City can make no assurances that the actual final impact to the City of the current and potential future claims and litigation related to the City's various business taxes will not significantly exceed amounts currently reserved.

**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 2024-25 and 2025-26, 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.

The State budget for fiscal year 2024-25, enacted in June 2024, addressed an estimated multi-year shortfall of $46.8 billion. The State budget assumes continued but slowing economic growth, but does not assume a recession will occur.

**Potential City Acquisition of PG&E Distribution Assets**

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated in excess of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E's Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy.

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

On July 27, 2021, the City submitted a petition with the California Public Utilities Commission (the "CPUC") seeking formal determination of the value of PG&E's local electric infrastructure. The matter is pending before the CPUC and the City can give no assurance about whether or when the CPUC will hold a hearing on the matter.

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and SFPUC. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's General Fund would be available to pay for system operations, or City General Fund secured bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E's assets and expects to continue its pursuit with the newly reorganized entity.

**Impact of Federal Government on Local Finances**

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

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over $1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

In addition, there be no assurances that the new Presidential administration will not adopt new federal policies, or revise existing policies, or otherwise takes action, in a manner that materially adversely impacts the City's finances. Projections assume no changes to federal revenue related to the new federal administration's proposed funding freezes or rescission of funds, but this remains a source of budgetary uncertainty. Since January 20, 2025, the new federal administration has issued a number of Executive Orders and agency directives to eliminate, reduce, or condition federal funding based on the President's immigration, LGBTQ+, energy, and DEI/DEIA program policy preferences. Litigation has been brought challenging certain actions by the federal administration. Notwithstanding, the threat to the City's federal funding remains ongoing.

On February 19, 2025, the President issued Executive Order 14159, Protecting the American People from Invasion, targeting sanctuary cities and purporting to prohibit use of federal funds by such cities in certain ways related to undocumented immigrants. The City, along with other jurisdictions across the country, has filed litigation challenging the legality of the Executive Order. This matter is pending, and the potential adverse impact of enforcement of the Executive Order on City finances, if any, cannot be predicted at this time.

The federal government provided significant funding to local governments to respond to the public health emergency and mitigate the fiscal effect of the COVID-19 pandemic. The City spent the entirety of its General Fund allocations of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act State and Local Fiscal Recovery Fund monies as of fiscal year 2021-22 and is awaiting reimbursement of emergency response costs submitted to the FEMA. In fiscal year 2023-24, the City originally budgeted $170.0 million of FEMA reimbursements. By May 2024, that estimate was revised down to $116.8 million in that fiscal year, and only $73.3 million was recorded by year end. In addition to the timing of reimbursements, the City is in communication with both state and federal officials to understand the fiscal effect of recent changes in FEMA cost eligibility guidelines for non-congregate shelter programs, as described above. The December 2024 Five-Year Plan assumes FEMA revenues of $74.0 million, which is $1.7 million less than the FY25 & FY26 Original Budget. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS."

## 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 taxable assessed value of 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 identifies all taxable property in the City and County of San Francisco, computes the value of locally assessed taxable property, and applies all legal exemptions. After the assessed roll is closed on June 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value at the beginning of that fiscal year. The Controller also applies the tax rate factors, including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), and tax factors needed to repay voter-approved general obligation bonds on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such

bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

**Assessed Valuations, Tax Rates, and Tax Delinquencies**

The property tax rate is comprised of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. Table A-5 provides a recent history of assessed valuations of taxable property within the City. Lingering impacts of the COVID-19 pandemic, which triggered business changes such as extended work-from-home policies that resulted in less demand for office spaces, and the substantial increases in borrowing costs (interest rates) resulted in a reduction in property values for certain asset classes in the City and may result in future reductions, which could be material.

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education ("SFCOE"), SFCCD, Bay Area Air Quality Management District ("BAAQMD"), and San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-32: "Statement of Direct and Overlapping Debt and Long-Term Obligations." 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 OCII, the successor agency to the San Francisco Redevelopment Agency, and a number of tax increment financing districts. Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received $134.0 million of property tax increment in fiscal year 2023-24 for recognized obligations, diverting about $74.5 million that would have otherwise been apportioned to the City's General Fund.

The percent collected of property tax (current year levies excluding supplemental) was 98.93% for fiscal year 2023-24.

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**TABLE A-5**
**Assessed Valuation of Taxable Property**
**Fiscal Years 2015-16 through 2024-25**
**($000s)**

| Fiscal Year | Net Assessed[1] Valuation (NAV) | % Change from Prior Year | Total Tax Rate per $100[2] | Total Tax Levy[3] | Total Tax Collected[3] | % Collected June 30 |
|---|---|---|---|---|---|---|
| 2015-16 | $194,392,572 | 6.9% | 1.183 | $2,290,280 | $2,268,876 | 99.1% |
| 2016-17 | 211,532,524 | 8.8% | 1.179 | 2,492,789 | 2,471,486 | 99.1% |
| 2017-18 | 234,074,597 | 10.7% | 1.172 | 2,732,615 | 2,709,048 | 99.1% |
| 2018-19 | 259,329,479 | 10.8% | 1.163 | 2,999,794 | 2,977,664 | 99.3% |
| 2019-20 | 281,073,307 | 8.4% | 1.180 | 3,509,022 | 3,475,682 | 99.0% |
| 2020-21 | 299,686,811 | 6.6% | 1.198 | 3,823,246 | 3,785,038 | 99.0% |
| 2021-22 | 307,712,666 | 2.7% | 1.182 | 3,864,100 | 3,832,546 | 99.2% |
| 2022-23 | 331,431,694 | 7.7% | 1.180 | 4,067,270 | 4,032,813 | 99.2% |
| 2023-24 | 346,366,619 | 4.5% | 1.178 | 4,261,226 | 4,215,823 | 98.9% |
| 2024-25 | 351,321,331[4] | 1.4% | 1.171 | 4,113,973 | 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 2023-24 is based on year-end current year secured and unsecured levies as adjusted through roll collections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector. Total Tax Levy for fiscal year 2024-25 is estimated, based upon initial assessed valuations times the secured property tax rate.

(4) Based on initial assessed valuations for fiscal year 2024-25.

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

At the start of fiscal year 2024-25, the total net assessed valuation of taxable property within the City was approximately $351.3 billion. Of this total, $334.5 billion (95.2%) represents secured valuations and $16.8 billion (4.8%) represents unsecured valuations. See "Tax Levy and Collection" below for a further discussion of secured and unsecured property valuations.

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

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, reductions of up to approximately 30% of the assessed valuations appealed were granted. Successful assessment appeals result in property tax refunds and so as with appeals activity the total value of refunds typically increases as a result of economic downturns. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To

mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly as did associated reductions, and a similar trend is developing post-pandemic. For scale, in the wake of the Great Recession, the reductions in residential property assessed value reached upwards of $2 billion in 2010-11 when the roll topped $157 billion.

The FY25 & FY26 Original Budget assumes declines in commercial assessed values in the City resulting from the continuance of work from home patterns and interest rates currently affecting the City's businesses, and that such declines could be material. The City's most recent economic reports have noted continuation of these trends.

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 2014-15 through 2023-24 are listed in Table A-6 below.

**TABLE A-6**
**Refunds of Prior Years' Property Tax Revenues**
**General Fund**
**Fiscal Years 2014-15 through 2023-24**
**($000s)**

| Fiscal Year | Amount Reduced |
|---|---|
| 2014-15 | $16,304 |
| 2015-16 | 16,199 |
| 2016-17 | 33,397 |
| 2017-18 | 24,401 |
| 2018-19 | 30,071 |
| 2019-20 | 17,900 |
| 2020-21* | 10,729 |
| 2021-22 | 16,479 |
| 2022-23 | 23,070 |
| 2023-24 | 36,822 |

Source: Office of the Controller, City and County of San Francisco.
*Amount reduced in fiscal year 2020-21 and forward reflects both Teetered and non-teetered property tax amounts.

A property's annual assessed value is determined as of January 1 preceding the start of the fiscal year for which taxes are billed and paid. Under California's Proposition 13, a property's annual assessed value is the lesser of (1) its base year value (fair market value as of the date of change in ownership or completion of new construction), factored for inflation at no more than two percent per year; or (2) its fair market value as of that January 1. A qualifying taxpayer can seek assessed value adjustment from the Assessment Appeals Board (AAB), from the Assessor's Office, or both. If a property's fair market value is assessed below its factored base year value, the reduced value is enrolled on a temporary basis (for one year) and is commonly referred to as a "Proposition 8" reduction, after the 1978 initiative, or simply as a "decline in value" reduction. If a property receives such a temporary reduction, the Assessor is required to annually review the property's temporary reduction for each subsequent January 1 lien date, until such time as the market value again exceeds the property's factored base year value, at which point the Assessor reestablishes the factored base year value as the taxable value to be enrolled for that January 1 lien date.

COVID-19's impact on San Francisco real property values first arose on the 2021 Assessment Roll, resulting in an almost 4-times increase in the total count of Proposition 8 reductions granted compared to the 2020 Assessment Roll (up from 2,059 to 8,212) and more than 8-times increase in the value of the reductions (up from $272 million to $2.18 billion). For the January 1, 2024 lien date, the Assessor's Office completed

11,339 “decline-in-value” reviews, which was nearly 40% higher than anticipated. The total count and value of Proposition 8 reductions for the 2024 Assessment Roll were 9,715 and $4.9 billion, respectively.

The two most significant factors driving changes beginning with the 2021 Assessment Roll were Proposition 8 reductions for hotel and condominium properties. In response to COVID-19, the Assessor’s Office performed proactive reviews of commercial properties, which resulted in temporary reductions of $1.01 billion for 26 hotel properties on the 2021 Assessment Roll. For the 2024 Assessment Roll, the Assessor reviewed and applied Proposition 8 assessed value reductions for 21 hotel properties, totaling $1.34 billion. Meanwhile, condominiums accounted for the largest share of new reductions since the onset of the pandemic at over 70% of the total value of temporary reductions (excluding hotels) on the 2021 and 2022 Assessment Rolls or roughly $804 million and $859 million, respectively. For the 2023 and 2024 Assessment Rolls, condominiums accounted for a declining percentage of total value of temporary reductions (excluding hotels) at 63% and 54%, respectively.

In order to more efficiently address a number of regular open appeals on condominium properties with an assessed value below $5 million, in January 2024, the Assessor’s Office applied the same regression model it uses for determining Proposition 8 reductions on condominiums to those with open appeals. Stipulation letters were sent to 942 taxpayers containing a recommended value and instructions about how to withdraw their open appeal if they accepted said value. Taxpayers were given three weeks to withdraw their appeals and accept the recommended value, which 591 did according to Assessor records. An additional 132 from this pool subsequently withdraw with a modicum of appraiser interaction. Taken together, the result of these 718 withdrawals is a temporary downward adjustment of the enrolled value for these properties totaling approximately $165 million. This initiative was one among a number aimed at timely addressing the steep increase in open appeals and the Assessor will continue the initiative this year with the goal of reaching a larger pool of taxpayers by launching the initiative three months earlier, as well as by expanding the initiative to include property owners of dwellings in addition to condominiums.

As referenced above, taxpayers may also seek assessed value adjustments from the AAB, whether or not they seek and/or receive such an adjustment from the Assessor through the Assessor’s informal review process. Supplemental and Base Year Appeals are to establish a property’s base value. Escape and Regular Appeals are filed to contest a property’s value as of January 1. The majority of appeals (typically 70 plus percent) filed are Regular Appeals. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If September 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely. The AAB generally is required to resolve appeals applications within two (2) years of filing, unless the applicant signs a waiver to extend the statutory period. Appeals may also be resolved when the Assessor and a property owner stipulate to a corrected value, which the AAB may approve, or reject and require a hearing in which it determines the value. Upon hearing a supplemental or base year appeal to establish a base value, the AAB may decide to increase, decrease, or not change an assessment. In the case of an escape or regular appeal, the AAB may lower the taxable value or maintain the factored base year value but cannot increase the value above the factored base year value. If an escape or regular appeal results in a change in value, the result is a decline-in-value reduction. The new assessed value will be used to determine the property taxes for the year that was appealed. Subsequently, as with any decline-in-value reduction, each year, the Assessor examines the property to see if the market value has risen back to the Proposition 13 base year value, or higher, and if so, reestablishes the Proposition 13 base year value. This does not apply to appeals to establish a property’s base value.

Not all filed appeals receive a hearing or result in a property tax assessment reduction. A large majority of all assessment appeals are withdrawn and these withdrawn appeals may or may not receive a reduction. Similarly, not all assessment appeals heard result in a reduction. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

Appeals have increased considerably since fiscal year 2019-20 as a result of the impacts of the COVID pandemic and its aftermath as described herein. As of December 31, 2024, the total number of open appeals before the AAB was approximately 11,300. This reflects approximately 9,000 applications (some of which are

pending due to incomplete application information or missing filing fees) the City has received during the July 2nd through September 15th filing period in fiscal year 2024-25. Additional appeals are expected by the end of the fiscal year. (During the July 2nd through September 15th filing period in fiscal year 2023-24, the City received approximately 7,500 applications with approximately 8,000 total by the end of fiscal year June 30, 2024.)

As of December 31, 2024, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was approximately $124.4 billion. Assuming the City did not contest any taxpayer appeals and the AAB upheld all the taxpayers' requests, a negative potential total property tax revenue impact of about $1.5 billion would result. The General Fund's portion of that hypothetical loss of $1.5 billion in property tax revenues would be approximately $709.9 million. In practice, the City has contested virtually all taxpayer appeals resulting in substantially lower impacts to the City's property tax revenues resulting from 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 BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2024-25 was $4.1 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues allocated in fiscal year 2023-24 (including supplemental and escape property taxes), per pre-audit numbers, the City received $2.5 billion in the General Fund and $283.9 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD received approximately $257.5 million and $48.3 million, respectively, and the local ERAF received $455.6 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received $134.0 million. The remaining portion was allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund was allocated about 47.2% of total property tax revenue before adjusting for the tax increment financing districts, VLF backfill shift, and excess ERAF.

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

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

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

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and

subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7. 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 have grown.

**TABLE A-7**
**Teeter Plan**
**Tax Loss Reserve Fund Balance**
**Fiscal Years 2014-15 through 2023-24**
**($000s)**

| Year Ended | Amount Funded |
|---|---|
| 2014-15 | $20,569 |
| 2015-16 | 22,882 |
| 2016-17 | 24,882 |
| 2017-18 | 25,567 |
| 2018-19 | 29,126 |
| 2019-20 | 31,968 |
| 2020-21 | 35,298 |
| 2021-22 | 35,951 |
| 2022-23 | 38,041 |
| 2023-24 | 39,723 |

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, 2024 are shown in Table A-8. 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-8**
**Top 10 Parcels Total Assessed Value**
**July 1, 2024**

| Assessee[1] | Location | Type | Total Assessed Value[2] | % Basis of Levy[3] |
|---|---|---|---|---|
| Sutter Bay Hospitals[4] | 1101 Van Ness Ave | Hospital | $ 2,786,422,698 | 0.792% |
| Transbay Tower LLC | 415 Mission St | Office | 1,913,672,794 | 0.544 |
| GSW Arena LLC | 1 Warriors Way A | Entertainment Comp | 1,533,404,672 | 0.436 |
| Park Tower Owner LLC | 250 Howard St | Office | 1,163,207,711 | 0.331 |
| KRE Exchange Owner LLC | 1800 Owens St | Office | 1,158,816,492 | 0.329 |
| Hwa 555 Owners LLC | 555 California St | Office | 1,136,782,374 | 0.323 |
| Elm Property Venture LLC | 101 California St | Office | 1,101,967,156 | 0.313 |
| PPF Paramount One Market Plaza Owner LP | 55 Spear St | Office | 931,075,752 | 0.265 |
| Sutter Bay Hospitals Dba Ca Pacific Med | 3555 Cesar Chavez St/555 San Jose | Hospital | 769,285,502 | 0.219 |
| SFDC 50 Fremont LLC | 50 Fremont St | Office | 769,162,113 | 0.219 |
| | | | $13,263,797,264 | 3.769 |

(1) Certain parcels fall within OCII project areas.

(2) Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year, TAV includes land & improvements, personal property, and fixtures. Values reflect information as January 1, 2024, lien date.

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

(4) Nonprofit organization that is exempt from property taxes.

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

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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 countywide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formula are generally based on the distribution of taxes in the prior year. The fiscal year 2024-25 valuation of property assessed by the State Board of Equalization in the City is approximately $4.6 billion.

## OTHER CITY TAX REVENUES

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

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

See Table A-9 below for a summary of revenue source as a percentage of total General Fund revenue based on the Original Budget for fiscal year 2024-25.

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**TABLE A-9**
**General Fund Revenue Overview**
**Fiscal Year 2024-25**
**($000s)**

| **Revenues** | **FY 2024-25 Original Budget** | |
|---|---|---|
| Property Taxes | $ 2,469,580 | 38.9% |
| Business Taxes | 883,000 | 13.9 |
| Other Local Taxes[(1)] | 1,109,170 | 17.5 |
| Licenses, Permits and Franchises | 31,802 | 0.5 |
| Fines, Forfeitures and Penalties | 3,921 | 0.1 |
| Interest and Investment Income | 146,715 | 2.3 |
| Rents and Concessions | 14,145 | 0.2 |
| Intergovernmental | 1,321,363 | 20.8 |
| Charges for Services | 351,423 | 5.5 |
| Other | 19,444 | 0.3 |
| Total Revenues | $ 6,350,563 | 100.0% |

(1) Other Local Taxes includes sales, hotel, utility users, parking, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

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

**Business Taxes**

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E (November 2012) changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, intending to replace the then existing 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 to 15,000. In November 2020, voters passed Proposition F, which eliminated the payroll tax and modified gross receipt tax rates. Most gross receipt tax rates increased by 40% for tax year 2021 over the prior year. Much smaller increases were scheduled for 2023 and 2024, should the City's taxable gross receipts in 2021 and 2022 reach at least 90% and 95%, respectively, of 2019 taxable gross receipts. The 2023 tax increase was suspended for one year because the City's 2021 taxable gross receipts did not reach the 90% threshold and the 2024 tax increase is suspended for one year because the City's 2022 taxable gross receipts did not reach the 95% threshold. In some industries that were particularly hurt during the pandemic, such as retail, trade and food services, Proposition F resulted in lowered tax rates through 2022 for gross receipts under $25 million. Subsequent legislation extended the lowered rate to these businesses for an additional two years. Proposition F also reduced business registration fees for businesses with less than $1 million in gross receipts and raised the small business exemption for gross receipts taxes to $2 million.

Business tax revenue (gross receipts, payroll, and business registration) for fiscal year 2023-24 is $871.8 million for all funds, representing an increase of $18.7 million (2.2%) from fiscal year 2022-23.

Remote work occurring outside the City creates fiscal risk because, for certain categories of businesses, the gross receipts tax is dependent in part on their San Francisco payroll, and the firms only need to calculate their San Francisco payroll expense for employees that physically work within the City's geographic boundaries. Approximately half of the workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. Office attendance remained about the same between fiscal year 2022-23 and fiscal year 2023-24 suggesting that there will not be significant increases to the San Francisco economy from employees returning from remote work to office work in the foreseeable future. See "BUDGETARY RISKS – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues."

In November 2024, voters in the City approved Proposition M. In connection with Proposition M, the Controller prepared an analysis of the projected impacts of Proposition M on business tax revenue. The Controller projected that, over the first three fiscal years, between fiscal years 2024-25 and 2026-27, Measure M will reduce revenues by approximately $40 million annually. The Controller noted that, while uncertain this projected loss may be smaller if Measure M helps enable the City to reduce reserves for disputed taxes in the future. Beginning in 2027, scheduled rate increases are projected to generate positive revenues of approximately $50 million annually in fiscal year 2028-29 and thereafter. By fiscal year 2029-30, the total positive revenue resulting from the rate increases are projected to offset the reduced revenue in the first three years, making the total amount of business tax revenue over that period comparable to law prior to the enactment of Proposition M. After fiscal year 2029-30, the Controller projected that Measure M will generate additional revenue of approximately $50 million annually. Projected revenue impacts above assume a reduction in business license fees of $10 million annually, which is the subject of recently introduced legislation.

Measure M amended the City's existing Business and Tax Regulations Code in several key areas:

• Increased the small business exemption from the gross receipts tax from $2.25 million to $5.0 million,

• Consolidated the number of tax schedules from 14 business activity categories to 7 business activity categories for the gross receipts and homelessness gross receipts taxes,

• Adjusted tax rates for gross receipts, homelessness gross receipts, administrative office, and overpaid executive gross receipts taxes in 2025, and increases tax rates on gross receipts, administrative office, and overpaid executive gross receipts taxes in 2027 and 2028; currently scheduled tax rate increases after 2024 would not occur under this proposal,

• Shifted the City's calculation of San Francisco gross receipts for most business activities away from payroll expenses and towards sales; the only exceptions are business activities whose San Francisco gross receipts calculation is already entirely based on sales,

• Requires the Office of the Treasurer and Tax Collector to establish an advance determination process to provide written guidance to taxpayers, and makes other implementation changes,

• Creates new tax credits for businesses paying stadium operator admission taxes, grocery retailers, and new lessees in certain newly constructed buildings, and

• Makes changes to business registration fees.

Additionally, the ordinance requires that the Controller report on the impact of the various changes made by Measure M in September 2026 and September 2027.

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**TABLE A-10**
**Business Tax Revenues - All Funds[1]**
**Fiscal Years 2020-21 through 2025-26**
**($000s)**

| Fiscal Year[2] | Revenue | Change | Change % |
|---|---|---|---|
| 2020-21 | $724,140 | ($100,530) | -12.2% |
| 2021-22 | 863,510 | 139,370 | 19.2 |
| 2022-23 | 853,154 | (10,356) | -1.2 |
| 2023-24 | 871,823 | 18,669 | 2.2 |
| 2024-25 Original Budget[3] | 883,000 | 11,177 | 1.3 |
| 2025-26 Original Budget[3] | 954,000 | 71,000 | 8.0 |

(1) Figures exclude Homelessness Gross Receipts and Commercial Rent taxes.
(2) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals. Includes gross receipts and payroll taxes allocated to special revenue funds for the Community Challenge Grant program as well as business registration tax.
(3) Original Budget amounts are from the fiscal year 2024-25 and fiscal year 2025-26 budget, adopted July 31, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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. Hotel tax revenue in fiscal year 2023-24 was $287.6 million (all funds), an increase of $4.1 million (1.4%) from fiscal year 2022-23. The fiscal year 2024-25 budget is $323.4 million, an increase of $35.9 million (12.5%) from fiscal year 2023-24. The fiscal year 2025-26 budget is $355 million, an increase of $31.6 million (9.8%) from fiscal year 2024-25. Table A-11 includes hotel tax in all funds. Slightly less than 90% of the City's hotel tax is allocated to the General Fund, with 10.7% allocated to arts and cultural organizations and approximately $5 million for debt service on hotel tax revenue bonds.

Fiscal year 2023-24 hotel tax revenue performed better than fiscal year 2022-23, as leisure visits and convention activity continue to recover. Fiscal year 2023-24 enplanements at SFO increased by 9.0% from the prior year, as international and domestic enplanements improved by 210% and 4.7%, respectively. The return of conferences and conventions has played a key role in the recovery of hotel tax revenues, particularly because conventions drive up hotel tax room rates through compression pricing. In fiscal year 2022-23, there were 33 conferences with over 286,000 attendees. In fiscal year 2023-24, a total of 38 conferences with over 390,000 attendees took place at the Moscone Convention Center.

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**TABLE A-11**
**Transient Occupancy Tax Revenues - All Funds[1]**
**Fiscal Years 2020-21 through 2025-26**
**($000s)**

| Fiscal Year[2] | Tax Rate | Revenue | Change | |
|---|---|---|---|---|
| 2020-21 | 14.0% | $42,195 | ($239,420) | -85.0% |
| 2021-22 | 14.0 | 179,134 | 136,939 | 324.5 |
| 2022-23 | 14.0 | 283,453 | 104,320 | 58.2 |
| 2023-24 | 14.0 | 287,553 | 4,100 | 1.4 |
| 2024-25 Original Budget[3] | 14.0 | 323,443 | 35,890 | 12.5 |
| 2025-26 Original Budget[3] | 14.0 | 355,047 | 31,604 | 9.8 |

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

(2) Figures for Fiscal Year 2020-21 through Fiscal Year 2023-24 are actuals.

(3) Original Budget amounts are from the Fiscal Year 2024-25 and Fiscal Year 2025-26 budget, adopted July 31, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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

**Real Property Transfer Tax**

Real property transfer tax ("RPTT") is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Transfer tax rates are $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $55.00 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million and $60.00 per $1,000 for properties valued at more than $25.0 million.

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the 4th quarter of 2019 to 34.5% in the 3rd quarter of 2024. The high vacancy rate, along with continuing uncertainty regarding the return-to-office plans of major office tenants, has reduced both the volume of office transactions, and the per-square foot value of these sales. According to CoStar, downtown office sales transactions have averaged 5-6 per quarter since 2020, down from an average of 10-20 per quarter before the pandemic. The per-square foot market value of office properties in the City is, as of the 3rd quarter of 2024, down 40% from the pre-pandemic high of $860 per square foot, across all property classes.

Due to the highly progressive nature of the tax, the volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over $10 million. The overall number of transactions over $10 million dropped from 101 transfers in fiscal year 2021-22 to 55 transfers in fiscal year 2022-23 and 56 transfers in fiscal year 2023-24. The number of transactions under $10 million also declined from 10,086 transfers in fiscal year 2021-22 to 6,714 transfers in fiscal year 2022-23, and further declining to 6,487 transfers in fiscal year 2023-24.

The fiscal year 2024-25 and 2025-26 budget projects increases from fiscal year 2023-24 results, anticipating increases in transfers as buyers and sellers begin to come into agreement about market prices of large real estate transactions. However, the interest rate environment and uncertainty around the value of office-based real estate with the shift to hybrid models of work is expected to continue to dampen the City's transfer tax receipts.

**TABLE A-12**
**Real Property Transfer Tax Receipts - All Funds**
**Fiscal Years 2020-21 through 2025-26**
**($000s)**

| Fiscal Year[(1)] | Revenue | Change | |
|---|---|---|---|
| 2020-21 | $344,683 | $10,148 | 3.0% |
| 2021-22 | 520,359 | 175,676 | 51.0 |
| 2022-23 | 186,247 | (334,112) | -64.2 |
| 2023-24 | 177,700 | (8,547) | -4.6 |
| 2024-25 Original Budget[(2)] | 218,850 | 41,150 | 23.2 |
| 2025-26 Original Budget[(2)] | 267,550 | 48,700 | 22.3 |

(1) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals.

(2) Original Budget amounts are from the fiscal year 2024-25 and fiscal year 2025-26 budget, adopted July 31, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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 8.6250%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City.

The components of San Francisco's 8.6250% sales tax rate are shown in Table A-13. 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 under "INTERGOVERNMENTAL REVENUES" herein.

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**TABLE A-13**
**San Francisco's Sales & Use Tax Rate**

| | |
|---|---|
| **State Sales Tax** | **6.00%** |
| State General Fund | 3.9375 |
| Local Realignment Fund 2011* | 1.0625 |
| Local Revenue Fund* (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** | **1.375%** |
| 2020 Peninsula Corridor Joint Powers Board Transactions and Use Tax (JPBF) | 0.125 |
| SF County Transportation Authority | 0.50 |
| Bay Area Rapid Transit (BART) | 0.50 |
| SF Public Financing Authority (Schools) | 0.25 |
| **TOTAL Sales Tax Rate** | **8.625%** |

* Represents portions of the sales tax allocated to the City.
Source: Office of the Controller, City and County of San Francisco.

The local sales tax (the 1% portion) revenue in fiscal year 2023-24 is $190.5 million, a decrease of $7.4 million (3.7%) from fiscal year 2022-23. The fiscal year 2024-25 budget is $193.7 million, an increase of $3.2 million (1.7%) from fiscal year 2023-24. The budget for fiscal year 2025-26 is $198.9 million, an increase of $5.3 million (2.7%) from the fiscal year 2024-25 projection. The entirety of sales tax revenue is recorded in the General Fund.

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

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**TABLE A-14**
**Sales and Use Tax Revenues**
**Fiscal Years 2020-21 through 2025-26**
**General Fund**
**($000s)**

| Fiscal Year[1] | Tax Rate | City Share | Revenue | Change | |
|---|---|---|---|---|---|
| 2020-21 | 8.500% | 1.00% | $146,863 | $(33,321) | -18.5% |
| 2021-22 | 8.625 | 1.00 | 188,337 | 41,474 | 28.2 |
| 2022-23 | 8.625 | 1.00 | 197,911 | 9,574 | 5.1 |
| 2023-24 | 8.625 | 1.00 | 190,528 | (7,383) | -3.7 |
| 2024-25 Original Budget[2] | 8.625 | 1.00 | 193,690 | 3,162 | 1.7 |
| 2025-26 Original Budget[2] | 8.625 | 1.00 | 198,940 | 5,250 | 2.7 |

(1) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals.

(2) Original Budget amounts are from the fiscal year 2024-25 and fiscal year 2025-26 budget, adopted July 31, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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") – As of July 1, 2023, a charge of $3.96 on every telecommunications line, $29.79 on every trunk line, and $536.32 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 (Proposition V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Proposition D). The tax was originally slated to go into effect on January 1, 2021, but the Board has delayed the imposition of the tax several times. The cannabis tax will now take effect beginning January 1, 2026.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

- Overpaid Executives Tax – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses' highest-paid managerial employee compared to the median compensation paid to the businesses' employees based in the City exceeds a ratio of 100:1. The measure took effect on January 1, 2022 for tax year 2022, so revenues were first received in fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, large annual fluctuations in the value and form of executive compensation, which typically includes equity, and tax-avoidance risk associated with tax increases. Estimates based on prior years' activity may not be predictive of future revenues. Fiscal year 2023-24 revenue was $124.4 million and the projection for both 2024-25 and 2025-26 is $140.0 million per year.

Table A-15 reflects the City's actual tax receipts for fiscal years 2020-21 through 2023-24 and budgets for fiscal years 2024-25 and 2025-26, respectively.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the pace of economic recovery. See "See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

**TABLE A-15**
**Other Local Taxes**
**Fiscal Years 2020-21 through 2025-26**
**General Fund**
**($000s)**

| Tax | 2020-21 Actuals[(1)] | 2021-22 Actuals[(1)] | 2022-23 Actuals[(1)] | 2023-24 Actuals[(1)] | 2024-25 Original Budget[(2)] | 2025-26 Original Budget[(2)] |
|---|---|---|---|---|---|---|
| Utility Users Tax | $81,367 | $105,225 | $110,661 | $121,931 | $110,730 | $111,830 |
| Access Line Tax | 44,700 | 55,710 | 53,171 | 64,609 | 53,730 | 55,090 |
| Parking Tax | 47,555 | 71,122 | 82,716 | 86,178 | 86,900 | 86,800 |
| Sugar Sweetened Beverage Tax | 10,435 | 11,973 | 12,870 | 11,625 | 12,700 | 12,700 |
| Stadium Admissions Tax | 182 | 4,615 | 5,984 | 8,567 | 7,400 | 7,400 |
| Cannabis Tax | N/A | N/A | N/A | - | - | |
| Overpaid Executives Tax | N/A | N/A | 206,041 | 124,424 | 140,000 | 140,000 |

(1) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals.

(2) Original Budget amounts are from the fiscal year 2024-25 and fiscal year 2025-26 budget, adopted July 31, 2024. See "PERIODIC FINANCIAL REPORTING; RECENT REPORTS" for recent financial reports and projections.

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

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## INTERGOVERNMENTAL REVENUES

### State Subventions Based on Taxes

The City receives allocations of State sales tax and VLF revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.

- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-16 reflects the City's actual receipts for fiscal years 2020-21 through 2023-24 and projection for fiscal years 2024-25 and 2025-26.

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**TABLE A-16**
**Selected State Subventions - All Funds**
**Fiscal Years 2020-21 Through 2025-26**
**($Millions)**

| Tax | 2020-21 Actuals[1] | 2021-22 Actuals[1] | 2022-23 Actuals[1] | 2023-24 Actuals[1] | 2024-25 Original Budget[2] | 2025-26 Original Budget[2] |
|---|---|---|---|---|---|---|
| **Health and Welfare Realignment** | | | | | | |
| General Fund | $188.9 | $283.5 | $290.7 | $264.6 | $283.6 | $290.5 |
| Hospital Fund | 48.1 | 67.1 | 67.9 | 63.4 | 63.6 | 64.2 |
| **Total - Health and Welfare** | $237.1 | **$350.6** | **$358.6** | **$328.0** | **$347.2** | **$354.7** |
| **Backfill Realignment[4]** | | | | | | |
| General Fund | $22.1 | | | | | |
| Non General Fund | 6.0 | | | | | |
| **Total - Backfill Realignment** | $28.0 | | | | | |
| Public Safety Realignment (General Fund) | $38.4 | $52.1 | $58.6 | $55.6 | $55.4 | $56.8 |
| Public Safety Sales Tax (Prop 172) (General Fund) | $105.0 | $93.8 | $94.9 | $97.2 | $99.6 | $102.3 |

(1) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals.
(2) Original Budget amounts are from the fiscal year 2024-25 and fiscal year 2025-26 budget, adopted July 31, 2024.
(3) Backfill Realignment is a one-time State funding to fill the shortfall in Health and Welfare Realignment and Public Safety Realignment due to the decrease of sales tax and vehicle license fees.
Source: Office of the Controller, City and County of San Francisco.

## CITY GENERAL FUND PROGRAMS AND EXPENDITURES

### General Fund Expenditures by Major Service Area

As a consolidated city and county, the City budgets General Fund expenditures in seven major service areas as described in Table A-17 below:

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**TABLE A-17**
**Expenditures by Major Service Area**
**Fiscal Years 2019-20 through 2024-25**
**($000s)**

| Major Service Areas | Final 2019-20 Budget[1] | 2020-21 Final Budget[1] | 2021-22 Final Budget[1] | 2022-23 Final Budget[1] | 2023-24 Final Budget[1] | 2024-25 Original Budget[2] |
|---|---|---|---|---|---|---|
| Public Protection | $ 1,493,240 | $ 1,505,780 | $ 1,586,264 | $ 1,681,489 | $1,747,925 | $ 1,837,737 |
| Human Welfare & Neighborhood Development | 1,270,530 | 218,986 | 1,571,761 | 1,621,981 | 1,686,647 | 1,641,289 |
| Community Health | 1,065,051 | 1,605,573 | 1,119,891 | 1,118,010 | 1,099,022 | 1,144,476 |
| General Administration & Finance | 332,296 | 1,158,599 | 353,518 | 351,738 | 346,074 | 352,660 |
| Culture & Recreation | 161,274 | 147,334 | 161,417 | 180,475 | 198,594 | 190,338 |
| General City Responsibilities | 137,851 | 332,997 | 159,299 | 201,959 | 211,665 | 194,821 |
| Public Works, Transportation & Commerce | 216,824 | 126,993 | 244,365 | 275,941 | 254,637 | 232,734 |
| Total[2] | $ 4,677,066 | $ 5,096,262 | $ 5,196,515 | $5,431,593 | $ 5,544,564 | $ 5,594,055 |

(1) Figures for fiscal year 2019-20 through fiscal year 2023-24 are as reflected in ACFR.

(2) Fiscal year 2024-25 amounts are from Original Budget, adopted July 31, 2024.

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 which is primarily responsible for City jails rather than law enforcement. 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.

The Laguna Honda Hospital and Rehabilitation Center ("Laguna Honda") is a skilled nursing facility owned and operated by the City through its Department of Public Health, serving up to 660 patients, most of whom are low income or extremely low-income residents. Beginning in March 2022, the City had a series of disputes with the Centers for Medicare and Medicaid Services ("CMS"), an agency within the federal Department of Health & Human Services, over conditions at Laguna Honda which potentially put federal funding at risk. Although the disputes were generally resolved, and Laguna Honda is now fully recertified and will continue to receive Medicare and Medicaid payments, Laguna Honda will continue to be reviewed for compliance with conditions of participation in Medicare and Medicaid programs as is normal for facilities regulated by CMS and CDPH. There can be no assurances that federal funding will continue to be available in the amounts projected by the City. See "BUDGETARY RISKS - Impact of Federal Government on Local Finances."

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.

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**Voter-Mandated Spending Requirements**

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-18 reflects fiscal year 2024-25 and 2025-26 spending requirements. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

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**TABLE A-18**
**Baselines & Set-Asides**
**FY 2024-25 and FY 2025-26**
**($millions)**

| | 2024-25 Original Budget[1] | 2025-26 Original Budget[1] |
|---|---|---|
| **Projected General Fund Aggregate Discretionary Revenue (ADR)** | **$4,532.2** | **$4,688.8** |
| Municipal Transportation Agency (MTA) | | |
| MTA - Municipal Railway Baseline: 7.068% ADR | $320.3 | $331.4 |
| MTA - Parking & Traffic Baseline: 2.507% ADR | $113.6 | $117.6 |
| MTA - Population Adjustment | $74.5 | $75.4 |
| MTA - 80% Parking Tax In-Lieu | $69.5 | $71.0 |
| **Subtotal - MTA** | **$577.9** | **$595.3** |
| Library Preservation Fund | | |
| Library - Baseline: 2.286% ADR | $103.6 | $107.2 |
| Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV) | $79.3 | $79.6 |
| **Subtotal - Library** | **$182.9** | **$186.8** |
| Children's Services | | |
| Children's Services Baseline - Requirement: 4.830% ADR | $218.9 | $226.5 |
| Children's Services Baseline - Eligible Items Budgeted | 220.4 | 232.7 |
| Transitional Aged Youth Baseline - Requirement: 0.580% ADR | 26.3 | 27.2 |
| Transitional Aged Youth Baseline - Eligible Items Budgeted | 36.9 | 39.3 |
| Early Care and Education Baseline Requirement (June 2018 Prop C) | 77.2 | 80.1 |
| Early Care and Education - Eligible Items Budgeted | 77.2 | 80.1 |
| Public Education Services Baseline: 0.290% ADR | 13.1 | 13.6 |
| Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV | 126.9 | 127.4 |
| Public Education Enrichment Fund: 3.057% ADR | 138.5 | 143.3 |
| 1/3 Annual Contribution to Preschool for All | 46.2 | 47.8 |
| 2/3 Annual Contribution to SF Unified School District | 92.4 | 95.6 |
| Student Success Fund (SFUSD) | 35.0 | 45.0 |
| **Subtotal - Children's Services** | **$648.1** | **$681.5** |
| Recreation and Parks | | |
| Open Space Property Tax Set-Aside: $0.025 per $100 NAV | $79.3 | $79.6 |
| Recreation & Parks Baseline - Requirement | 85.2 | 88.2 |
| Recreation & Parks Baseline - Budgeted | 88.0 | 90.2 |
| **Subtotal - Recreation and Parks** | **$167.4** | **$169.8** |
| Other | | |
| Housing Trust Fund Requirement | $47.3 | $49.0 |
| Housing Trust Fund Budget | 47.3 | 49.0 |
| Dignity Fund | 59.1 | 62.1 |
| Street Tree Maintenance Fund: 0.507% ADR | 23.0 | 23.8 |
| Municipal Symphony Baseline: $0.00125 per $100 NAV | 4.4 | 4.5 |
| City Services Auditor: 0.2% of Citywide Budget | 28.1 | 27.4 |
| Our City, Our Home Baseline Requirement (Nov 2018 Prop C) | 215.0 | 215.0 |
| Our City, Our Home Budget, Estimated | 423.2 | 415.3 |
| **Subtotal - Other** | **$585.0** | **$582.0** |
| **Total Baselines and Set-Asides** | **$2,161.3** | **$2,215.4** |

[1] Fiscal year 2024-25 and 2025-26 amounts represent the Mayor's Proposed Budget, June 1, 2024.

In November 2024, voters in the City approved two initiatives (Proposition G and Proposition J) which impose additional mandatory spending requirements. In connection with the propositions, the Controller prepared an analysis of the projected impacts of the propositions on City finances.

Proposition G creates the Affordable Housing Opportunity Fund for Seniors, Families, and People with Disabilities for the Mayor's Office of Housing and Community Development to provide rental subsidies to extremely low-income households. The Controller projected that Proposition G would reallocate funds that would otherwise be available, starting with at least $4 million in fiscal year 2026-27, $8.25 million in fiscal year 2027-28, and increasing by up to 3% annually, rising to a maximum of approximately $14 million in fiscal year 2045-46.

Proposition J creates an Our Children, Our Families Initiative, to be staffed by officials from the City and SFUSD, to align the City's spending on children and youth with the Initiative's Outcomes Framework. The Mayor and Board of Supervisors may need to appropriate additional funds towards children and youth services of up to $35 million starting in fiscal year 2024-25 and at least $35 million every year for the next 14 years through fiscal year 2037-38, up to a maximum of $83 million. The City will need to balance these amounts either with new revenues or reductions in other expenditures. Proposition J restricts the City from providing certain funding to SFUSD under certain conditions, including the Board not approving the SFUSD's five-year spending plan. Given the potential restrictions, Proposition J could generate savings for the City, but at a level that cannot be specified at this time.

## EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $7.3 billion and $7.1 billion in fiscal years 2024-25 and 2025-26 in the FY25 & FY26 Original Budget. For the General Fund, the combined salary and benefits in the Original Budget is $3.3 billion in fiscal year 2024-25 and $3.2 billion in fiscal year 2025-26.

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

### Labor Relations

The City's FY25 & FY26 Original Budget includes approximately 40,600 full-time and part-time positions, of which approximately 33,300 are funded positions. City workers are represented by 36 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.

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.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of an impasse. If an 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 Registered Nurses and a small group of unrepresented employees, whose working conditions and compensation are established annually by ordinance. 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. On July 24, 2023, the California Public Employment Relations Board ("PERB") ruled in favor of SEIU and IFPTE, concluding that City Charter sections A8.346 and A8.409 prohibiting strikes by City employees are invalid, affirming an earlier ruling of an administrative law judge that such City Charter provisions violate the Meyers-Milias-Brown Act. The City has filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. The City can give no assurance whether the appeal will be successful.

In May 2024, the City negotiated three-year agreements (for fiscal years 2024-25 through 2026-27) with 27 labor unions. The City negotiated a 1.5% base wage increase due on July 1, 2024 and 1.5% on January 4, 2025, with an additional 1% base wage increase at the close of business on June 30, 2025. For fiscal year 2025-26, the parties agreed to a base wage increase of 1% on July 1, 2025, 1.5% on January 3, 2026 and 2% at the close of business on June 30, 2026. For fiscal year 2026-27, the parties agreed to a base wage increase of 2% on January 2, 2027 and 2.5% at the close of business on June 30, 2027. The City additionally negotiated a minimum base wage of $25.00 an hour implemented on July 1, 2024, impacting members of SEIU Local 1021 Citywide and Laborers, Local 261. For fiscal year 2024-25, the Unrepresented Employee Ordinance was passed approving a wage increase of 1.5% on July 1, 2024, 2.25% on January 6, 2024, and 1% at close of business on June 30, 2025.

Also, in May 2024, the MTA negotiated thee-year agreements (for fiscal years 2024-25 through 2026-27) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others, collectively referred to as Service-Critical. The parties agreed to the same wage increase schedule as provided in the City agreements.

In 2023, the City negotiated a 2.5% base wage increase with labor organizations representing sworn members of the Police and Fire departments due on July 1, 2023 and 2.25% on January 6, 2024. For fiscal year 2024-25, the parties agreed to a base wage increase of 3.0% on January 4, 2025 with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2024-25, as projected in the March 2024 Joint Report, exceeds $300 million. The March 2024 Joint Report forecasted a deficit $235.9 million, below the $300 million threshold. Therefore, no wage delay was triggered. For fiscal year 2025-2026, the parties agreed to a base wage increase of 3.0% on July 1, 2025 with a provision to delay the increase by one year if the City's budget deficit for fiscal year 2025-26, as projected in the March 2025 Joint Report, exceeds $300 million.

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**TABLE A-19**
**Employee Organizations as of September 20, 2024**

**CITY AND COUNTY OF SAN FRANCISCO (All Funds)**

| Organization | City Budgeted Positions | Expiration Date of MOU |
|---|---|---|
| Automotive Machinists, Local 1414 | 554 | 30-Jun-27 |
| Bricklayers, Local 3 | 6 | 30-Jun-27 |
| Building Inspectors' Association | 85 | 30-Jun-27 |
| Carpenters, Local 22 | 115 | 30-Jun-27 |
| Carpet, Linoleum & Soft Tile | 4 | 30-Jun-27 |
| Cement Masons, Local 300 | 43 | 30-Jun-27 |
| Deputy Probation Officers' Association (DPOA) | 120 | 30-Jun-27 |
| Deputy Sheriffs' Association (DSA) | 793 | 30-Jun-27 |
| Electrical Workers, Local 6 | 1,047 | 30-Jun-27 |
| Firefighters' Association, Local 798 | 2,028 | 30-Jun-26 |
| Glaziers, Local 718 | 14 | 30-Jun-27 |
| Hod Carriers, Local 36 | 4 | 30-Jun-27 |
| Ironworkers, Local 377 | 14 | 30-Jun-27 |
| Laborers, Local 261 | 1,237 | 30-Jun-27 |
| Municipal Attorneys' Association (MAA) | 511 | 30-Jun-27 |
| Municipal Executives' Association (MEA) Fire | 12 | 30-Jun-26 |
| Municipal Executives' Association (MEA) Miscellaneous | 1,752 | 30-Jun-27 |
| Municipal Executives' Association (MEA) Police | 16 | 30-Jun-26 |
| Operating Engineers, Local 3 Miscellaneous | 68 | 30-Jun-27 |
| Operating Engineers, Local 3 Supervising Probation | 28 | 30-Jun-27 |
| Pile Drivers, Local 34 | 27 | 30-Jun-27 |
| Plumbers, Local 38 | 369 | 30-Jun-27 |
| Police Officers' Association (POA) | 2,399 | 30-Jun-26 |
| Professional and Technical Engineers, Local 21 | 7,396 | 30-Jun-27 |
| Roofers, Local 40 | 13 | 30-Jun-27 |
| SEIU, Local 1021, H-1 | 1 | 30-Jun-27 |
| SEIU, Local 1021 Misc | 13,609 | 30-Jun-27 |
| SEIU, Local 1021 Nurses | 1,868 | 30-Jun-27 |
| SF City Workers United | 145 | 30-Jun-27 |
| SFDA Investigators Association | 44 | 30-Jun-27 |
| Sheet Metal Workers, Local 104 | 39 | 30-Jun-27 |
| Sheriffs' Supervisory and Management Association (MSA) | 119 | 30-Jun-27 |
| Stationary Engineers, Local 39 | 707 | 30-Jun-27 |
| Teamsters, Local 853 | 192 | 30-Jun-27 |
| Teamsters, Local 856, Multi | 102 | 30-Jun-27 |
| Teamsters, Local 856, Supervising Nurses | 136 | 30-Jun-27 |
| Theatrical Stage Emp, Local 16 | 34 | 30-Jun-27 |
| TWU, Local 200 | 537 | 30-Jun-27 |
| TWU, Local 250-A, Auto Service Work | 134 | 30-Jun-27 |
| TWU, Local 250-A, Miscellaneous | 108 | 30-Jun-27 |
| TWU, Local 250-A, Transit Fare Inspectors | 45 | 30-Jun-27 |
| TWU, Local 250-A, Transit Operator | 2,670 | 30-Jun-27 |
| Union of American Physicians and Dentists (UAPD) | 212 | 30-Jun-27 |
| Unrepresented Employees | 94 | 30-Jun-25 |
| Other | 1,007 | |
| | **40,456** | |

**San Francisco Employees' Retirement System**

*History and Administration*

The San Francisco City & County Employees' Retirement System ("SFERS" or "Retirement System") 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 and Chief Investment 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.

*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 non-retired membership as of July 1, 2024 was 48,521, compared to 46,657 as of July 1, 2023. Total non-retired membership as of July 1, 2024 included 11,930 terminated vested members and 1,173 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 California Public Employees' Retirement System ("CalPERS") and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 32,654 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-20 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2020 through July 1, 2024. The number of retirees supported by each active member can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the Retirement System. In particular, if the ratio of retirees to active members grows, it indicates that any actuarial losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. The ratio for SFERS had been relatively stable but increased modestly in 2021 and again in 2022 with the two-year decline in number of active members. Although the City has been actively filling vacant positions, the ratio remains elevated above pre-pandemic levels.

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**TABLE A-20**
**Employees' Retirement System**
**July 1, 2020 through July 1, 2024**

| As of July 1st | Active Members | Vested Members | Reciprocal Members | Total Non-retired | Retirees & Continuants | Retiree to Active Ratio |
|---|---|---|---|---|---|---|
| 2020 | 34,521 | 9,478 | 1,071 | 45,070 | 30,128 | 0.87 |
| 2021 | 33,644 | 10,066 | 1,060 | 44,770 | 30,854 | 0.92 |
| 2022 | 33,199 | 11,066 | 1,019 | 45,284 | 31,719 | 0.96 |
| 2023 | 34,016 | 11,461 | 1,180 | 46,657 | 32,104 | 0.94 |
| 2024 | 35,418 | 11,930 | 1,173 | 48,521 | 32,654 | 0.92 |

Sources: SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.
Notes: Member counts are for the entire Retirement System and include non-City employees.

*Funding Practices*

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

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

The Board adopted the current demographic assumptions at its December 9, 2020 Retirement Board meeting based on the experience study dated August 12, 2020. The current discount rate of 7.20% was adopted at the November 10, 2021 Board meeting, effective for the July 1, 2021 actuarial valuation. The Board most recently voted to maintain these assumptions (for the July 1, 2024 actuarial valuation) at its November 13, 2024 meeting. In the long term, the true cost of a pension plan is determined by actual results and not by assumptions.

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

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financial statements and actuarial reports may be found on the Retirement System's website, www.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.

*Annual Valuation and Employer Contribution History*

Table A-21 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as total contributions for the last five fiscal years ending June 30, 2024. 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 30 prior to the July 1 valuation date.

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**TABLE A-21**
**Employees' Retirement System**
**July 1, 2020 through July 1, 2024**

**(Dollar amounts in 000s)**

| As of July 1st | Actuarial Liability | Market Value of Assets | Actuarial Value of Assets | Market Percent Funded | Actuarial Percent Funded | Employee & Employer Contributions in prior FY | Employer Contribution Rates[(1)] in prior FY |
|---|---|---|---|---|---|---|---|
| 2020 | $29,499,918 | $26,620,218 | $26,695,844 | 90.2% | 90.5% | $1,143,634 | 25.19% |
| 2021 | 31,905,275 | 35,673,834 | 30,043,222 | 111.8 | 94.2 | 1,245,957 | 26.90 |
| 2022 | 33,591,565 | 32,798,524 | 32,275,474 | 97.6 | 96.1 | 1,191,934 | 24.41 |
| 2023 | 35,351,967 | 33,688,428 | 34,137,005 | 95.3 | 96.6 | 1,086,567 | 21.35 |
| 2024 | 37,314,504 | 35,417,666 | 36,036,298 | 94.9 | 96.6 | 1,100,130 | 18.24 |

(1) (1) Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2024-25 and 2025-26 are 16.91% and 16.53%, respectively.

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

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

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Note that at the July 1, 2024 valuation date, the market percent funded ratio is slightly lower than the actuarial percent funded ratio, reflecting net asset returns lower than the long-term rate of return assumptions that have not yet been recognized in the smoothed actuarial value of assets. The Retirement System's investment portfolio return was -2.9% in fiscal year 2021-22, 4.3% in fiscal year 2022-23, and 8.0% in fiscal year 2023-24. Global markets remain volatile due to continued uncertainty about the economy, interest rates, inflation, and geopolitical risk.

The actuarial 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. The most recent actuarial audit was completed in July 2024.

The fiscal year 2022-23 employer contribution rate was 21.35% (estimated to be 18.76% after cost-sharing). The 2022-23 fiscal year City employer contributions to the Retirement System were $638.0 million, which includes $404.8 million from the General Fund. The fiscal year 2023-24 employer contribution rate was 18.24% (estimated to be 16.12% after cost-sharing), with a total budget of $620.9 million, which includes $381.7 million from the General Fund. The fiscal year 2024-25 employer contribution rate is 16.91% (expected to be 15.27% after cost-sharing), with an estimated total budget of $671.4 million. The continued declines in the contribution rate reflect the completion of prior amortization layers and the five-year phase-in of investment gains from fiscal year 2020-21, offset by the impact of lower investment returns in fiscal years 2021-22 and 2022-23. Employer contribution rates anticipate annual increases in pensionable payroll of 3.25%. As discussed under "CITY BUDGET–Five-Year Financial Plan Update: FY2025-26 through FY2029-30 and FY 2025-26 Mayor's Budget Instructions," increases in retirement costs are projected in the City's Five-Year Financial Plan.

*Risks to City's Retirement Plan*

In its July 2024 actuarial report, Cheiron identifies three primary risks to the Retirement System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental cost of living adjustment ("COLA") risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future supplemental COLAs to increase contribution rates.

Supplemental COLAs are mandated by the Charter when investment returns exceed expectations. If the pension plan is less than fully funded on a market-value basis, certain groups of retirees may not receive a supplemental COLA at all or their supplemental COLA may be limited. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a supplemental COLA when granted typically represents a 1.5% increase in benefit.

Cheiron's July 2024 report provides stress testing of the supplemental COLA provision and shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk with contributions remaining very close to baseline and a relatively stable funded status.

*Governmental Accounting Standards Board ("GASB") Disclosures*

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability

measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return since the end of fiscal year 2015. The third distinct difference is that Total Pension Liability includes a provision for supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only supplemental COLAs that have already been granted as of the valuation date.

Table A-22 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-22**
**Employees' Retirement System**
**GASB 67/68 Disclosures**
**Fiscal Years 2019-2020 through 2023-24**
**(Dollar amounts in 000s)**

| As of July 1st | 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 |
|---|---|---|---|---|---|---|
| 2020 | $32,031,018 | 7.40% | $26,620,218 | 83.1% | $5,410,800 | $5,107,271 |
| 2021 | 33,088,765 | 7.40 | 35,673,834 | 107.8 | (2,585,069) | (2,446,563) |
| 2022 | 35,489,639 | 7.20 | 32,798,524 | 92.4 | 2,691,115 | 2,552,997 |
| 2023 | 37,332,835 | 7.20 | 33,688,428 | 90.2 | 3,644,407 | 3,456,687 |
| 2024 | 39,404,561 | 7.20 | 35,417,666 | 89.9 | 3,986,895 | 3,775,718 |

Sources: SFERS fiscal year-end GSAB 67/68 Reports as of each June 30
Note: Collective amounts include all employees (City and County, SFUSD, SFCCD, Trail Courts)

NPL can be quite volatile. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during that year, while the increase at fiscal year-end 2022 is due to both the -2.9% return and the reduction in discount rate from 7.4% to 7.2%. NPL increased again at year-end 2023 due to asset returns below the long-term assumed rate, the November 2022 Charter amendment that increased the June 30, 2023 TPL by $59 million, and differences between expected and actual demographic assumptions including salary increases. The NPL increased by about $342 million as of July 1, 2024, primarily due to liability experience losses of $480 million, offset by an investment experience gain of $171 million.

*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 assets, absolute return strategies (including hedge funds), and an array of alternative investments including private equity, venture capital limited partnerships, and private credit.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2024 was 8.44%. For the ten-year and twenty-year periods ending June 30, 2024, annualized investment returns were 8.03% and 7.98% respectively.

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

*Voter Approved Changes to the Retirement Plan*

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.

In 2011, voters approved Proposition C which aimed to reduce future pension costs. Proposition C introduced new lower-cost benefit tiers for all members hired on and after January 7, 2012 and also restricted the payment of any new supplemental COLAs to when SFERS is fully funded. Since 2011, the fully funded requirement for Supplemental COLAs has been removed from all members hired before January 7, 2012. First the October 2015 Superior Court judgement removed the fully funded requirement for pre-Proposition C members retired on and after November 6, 1996. Then in November 2022, voters approved Proposition A which removed the fully funded requirement for retirees who commenced benefits prior to November 6, 1996. However, for this older group of retirees only, the amount of supplemental COLA is capped at $200 per month for retirees with annual pensions exceeding $50,000 when SFERS is not fully funded.

The Proposition C fully funded restriction remains in effect for retirees hired on and after January 7, 2012. In addition, for these post-2011 hires, the supplemental COLA is temporary and reverts to zero in any year in which no supplemental COLA is paid.

In November 2024, voters again approved two expansions of benefits. Measure H restored pre-2012 retirement age factors to firefighters while retaining the three-year final average compensation requirement for these post-2011 hires. Measure I increased retirement benefits for 911 Operators by moving their future service to the Miscellaneous Safety benefit tier. Measure I also allows Registered Nurses to purchase previously ineligible service worked prior to becoming a member of SFERS.

*Impact on the Retirement System from Changes in the Economic Environment*

As of June 30, 2024, the audited market value of Retirement System assets was $35.4 billion. As of January 31, 2025, the estimated value of SFERS' investment portfolio was $36.7 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

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

*Other Employee Retirement Benefits*

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS were $52.0 million in fiscal year 2021-22. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020; $5.0 million in fiscal year 2021-22; and $16.7 million in fiscal year 2022-23 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits" and "GASB 75 Reporting Requirements."

**Medical Benefits**

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

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

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

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

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

*Determination of Employer and Employee Contributions for Medical Benefits*

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

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

*City Contribution for Retirees*

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

| **Retiree Medical Coverage/Employer Contribution for Those Hired On or After January 10, 2009** | |
|---|---|
| Years of Credited Service at Retirement | Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3) |
| Less than 5 years 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.<br>Including Access to Dependent Coverage |
| At least 10 but less than 15 years of Credited Service with the Employers **(AB.428 Subsection (b)(5))** | 50% |
| At least 15 but less than 20 years pf Credited Service with the Employers **(AB.428 Subsection (b)(5))** | 75% |
| At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(AB.428 Subsection (b)(4))** | 100% |

*Health Care Reform*

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

Three ACA taxes and one fee have impacted SFHSS rates for medical coverage. The three ACA taxes were repealed in 2020 and 2021; however, Congress revived and extended the Patient-Centered Outcomes Research Institute ("PCORI") Fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee applies to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

*Employer Contributions for San Francisco Health Service System Benefits*

For fiscal year 2023-24, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $939 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $806 million; approximately $230 million of this $806 million amount was for health care benefits for approximately 24,269 retired City employees and their eligible dependents, and approximately $576 million was for benefits for approximately 32,023 active City employees and their eligible dependents.

The 2024 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 10.3%. The increase is comparable to California benchmarks due to several factors including contracting by SFHSS that maintains competition among the health plans, implementing value-based models such as Accountable Care Organizations, use of generic prescription, and implementing flex-funded plans using narrow networks. Flex-funding eliminates the typical margins added by health plans; however, more risk is assumed by the city, and reserves are required to protect against this risk.

**Post-Employment Health Care Benefits**

The eligibility of former City employees for retiree health care benefits ("OPEB Benefits") and City and employee contributions to the Retiree Health Care Trust Fund ("RHCTF") are governed by the Charter (Section A8.432(a-b)). San Francisco voters have passed three different propositions to set these eligibility and contribution requirements: Proposition B passed on June 3, 2008; Proposition C passed on November 8, 2011; and Proposition A passed on November 5, 2013.

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. OPEB Benefit coverage and the City's required contributions for employees hired on or after January 10, 2009, is described above under "Medical Benefits: City Contribution for Retirees". Unlike employee pension contributions that are made to individual accounts, contributions to the RHCTF are non-refundable, even if an employee separates from the City and does not receive OPEB Benefits from the City.

Employee and City contributions to the RHCTF are a fixed percentage of pay that varies depending on the employee's hire date, the year in which the payment is made, and whether the RHCTF is fully funded. Employees hired before January 10, 2009, are required to make contributions equal to 1% of their salary to the RHCTF and employees hired on or after January 10, 2009, are required to make contributions equal to 2% of their salary. The City pays all OPEB Benefits on a pay-as-you-go basis each year and is required to contribute an amount equal to 1% of total pay to the RHCTF.

The City may not make disbursements from the RHCTF until it is fully funded, subject to the following exception. If the sum of the City's annual RHCTF contributions and OPEB Benefit payments (together, the

"OPEB Cost") is projected to exceed 10% of payroll, the RHCTF Board may authorize stabilization disbursements from the RHCTF to the extent necessary to reduce the City's OPEB Cost to 10% of payroll provided that such stabilization disbursement does not exceed 10% of the balance in the RHCTF as of the prior year. The City has never had to make a disbursement from the RHCTF, and OPEB Cost as a percentage of payroll for fiscal year 2022-23 was 6.2%.

*GASB 75 Reporting Requirements*

In June 2015, GASB issued GASB 75. GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for fiscal year 2017-18. According to GASB's Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

*City's Estimated Liability*

The City is required by GASB 75 to prepare a new actuarial study of its OPEB Benefits obligation at least once every two years. As of the measurement date of June 30, 2023 (issued October 2024), used in the most recent actuarial valuation report dated June 30, 2023, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 19.3%. This reflects the net position of the RHCTF in the amount of $938.9 million divided by the total OPEB liability of $4.9 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was $4.5 billion, and the ratio of the Net OPEB liability to the covered payroll was 86.8%.

Under GASB 75, the annual OPEB Expense can be calculated as the change in the City's Net OPEB liability plus the changes in deferred outflows and inflows plus employee contributions. As stated above, employee and City contributions to the RHCTF are set by the Charter and are not actuarially determined. The annual OPEB Expense is included in the five-year trend information displayed in Table A-24 below purely for informational purposes.

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**TABLE A-23**
**Five-Year Trend**
**Fiscal Years 2019-20 to 2023-24**
**($000s)**

| Fiscal Year | (A) Paygo Benefit Payments | (B) Trust Contributions | (A + B = C) Annual OPEB Cost | (D) Annual OPEB Expense | (C / D = E) Annual OPEB Cost as % of Annual OPEB Expense | Plan Fiduciary Net Position | Plan Fiduciary Net Position as % of TOL | Net OPEB Liability |
|---|---|---|---|---|---|---|---|---|
| 2019-20 | $196,445 | $39,518 | $235,963 | $330,673 | 71.4% | $366,602 | 8.6% | $3,915,815 |
| 2020-21 | 206,439 | 39,555 | 245,994 | 320,684 | 76.7 | 488,989 | 11.3 | 3,823,335 |
| 2021-22 | 211,025 | 41,841 | 252,866 | 272,001 | 93.0 | 718,777 | 16.3 | 3,691,121 |
| 2022-23 | 215,408 | 45,241 | 260,649 | 256,974 | 101.4 | 739,880 | 16.5 | 3,746,270 |
| 2023-24 | 229,922 | 48,779 | 278,701 | 261,158 | 106.7 | 938,866 | 19.3 | 3,924,832 |

Source: Postretirement Health Plan GASB 74/75 Reports produced by Cheiron in November 2019, December 2021, December 2023, and October 2024.

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**Total City Employee Benefits Costs**

Table A-24 provides historical and budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-24 below provides a summary of the City's employee benefit actual costs for fiscal years 2020-21 through 2023-24 and budgeted costs for 2024-25.

**TABLE A-24**
**Employee Benefit Costs, All Funds**
**Fiscal Years 2020-21 through 2024-25**
**($000s)**

| | 2020-21 Actual[(1)] | 2021-22 Actual[(1)] | 2022-23 Actual[(1)] | 2023-24 Actual[(1)] | 2024-25 Budget[(1)] |
|---|---|---|---|---|---|
| SFERS and PERS Retirement Contributions | $ 823,317 | $ 771,705 | $ 755,995 | $ 679,959 | $ 683,761 |
| Social Security & Medicare | 229,044 | 241,735 | 260,233 | 281,694 | 303,615 |
| Health - Medical + Dental, active employees[(2)] | 564,453 | 570,262 | 583,588 | 633,720 | 698,030 |
| Health - Retiree Medical[(2)] | 216,916 | 222,556 | 215,885 | 230,515 | 249,251 |
| Other Benefits[(3)] | 24,111 | 20,766 | 19,149 | 14,362 | 29,251 |
| Total Benefit Costs | $1,857,841 | $ 1,827,024 | $ 1,834,849 | $ 1,840,251 | $1,963,909 |

(1) Figures for fiscal year 2020-21 through fiscal year 2023-24 are actuals. Figures for fiscal year 2024-25 are from the Final Budget, July 31, 2024.

(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.

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, which is established by the Board of Supervisors. The Committee consists of the following members, who are nominated by the Treasurer and confirmed by the Board of Supervisors:

- Seat 1 is held by the Controller or the Controller's designee.
- Seat 2 is held by the County Superintendent of Schools or the Superintendent's designee.
- Seat 3 is held by the Chancellor of the Community College District or the Chancellor's designee.
- Seats 4 and 5 are held by employees of City departments or local agencies that participate in the City's pooled fund. These are currently held by the San Francisco International Airport and the San Francisco Public Utilities Commission.
- Seats 6 and 7 are held by members of the public who have expertise in, or an academic background in public finance

A complete copy of the Treasurer's Investment Policy, dated May 2024, is included as an Appendix to this Official Statement.

*Investment Portfolio*

As of November 30, 2024, the City's surplus investment fund consisted of the investments classified in Table A-25 and had the investment maturity distribution presented in Table A-26.

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**TABLE A-25**
**Investment Portfolio**
**Pooled Funds**
**As of December 31, 2024**

| Type of Investment | Par Value | Book Value | Market Value |
|---|---|---|---|
| U.S. Treasuries | $4,054,000,000 | $4,039,998,261 | $3,954,200,416 |
| Federal Agencies | 6,988,500,000 | 6,983,742,646 | 6,921,182,684 |
| Public Time Deposits | 60,000,000 | 60,000,000 | 60,000,000 |
| Negotiable Certificates of Deposit | 2,073,000,000 | 2,073,000,000 | 2,073,618,640 |
| Commercial Paper | 1,294,000,000 | 1,278,499,034 | 1,279,027,784 |
| Medium Term Notes | 124,595,000 | 123,896,217 | 123,085,670 |
| Money Market Funds | 1,812,524,333 | 1,812,524,333 | 1,812,524,333 |
| Supranationals | 417,037,000 | 416,064,748 | 413,102,734 |
| Secured Bank Deposit | 102,722,805 | 102,722,805 | 102,722,805 |
| Total | $16,926,379,137 | $16,890,448,043 | $16,739,465,065 |

December Earned Income Yield: 3.586%
Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, Clearwater Analytics-Inventory Control Program.

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**TABLE A-26**
**Investment Maturity Distribution**
**Pooled Funds**
**As of December 31, 2024**

| Maturity in Months | | | Par Value | Percentage |
|---|---|---|---|---|
| 0 | to | 1 | $2,823,621,137 | 16.68% |
| 1 | to | 2 | 668,407,000 | 3.95% |
| 2 | to | 3 | 703,000,000 | 4.15% |
| 3 | to | 4 | 610,938,000 | 3.61% |
| 4 | to | 5 | 290,000,000 | 1.71% |
| 5 | to | 6 | 1,545,340,000 | 9.13% |
| 6 | to | 12 | 2,286,449,000 | 13.51% |
| 12 | to | 24 | 3,269,291,000 | 19.31% |
| 24 | to | 36 | 1,879,676,000 | 11.11% |
| 36 | to | 48 | 849,430,000 | 5.02% |
| 48 | to | 60 | 2,000,227,000 | 11.82% |
| | | | $16,926,379,137 | 100.00% |

Weighted Average Maturity: 532 Days

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

*Further Information*

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

## CAPITAL FINANCING AND BONDS

### Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee (the "CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the MTA, the General Manager of the SFPUC, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port. To help inform CPC recommendations, the CPC staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs, and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost

estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year.

The fiscal years 2024-2033 Capital Plan (the "Adopted Capital Plan") was approved by the CPC on February 27, 2023, and was adopted by the Board of Supervisors on May 9, 2023. The Adopted Capital Plan contains $41.4 billion in capital investments over the coming decade for all City departments, including $5.8 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes $2.2 billion for General Fund pay-as-you-go capital projects through fiscal year 2032-33. The next capital plan update is expected in Spring 2025. 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; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $2.7 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Adopted Capital Plan recommends over $19.0 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as MTA facilities, seawall strengthening, terminal 1 and 3 upgrades at San Francisco International Airport, water, sewer, and power enterprise improvements, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $8.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by general obligation bonds, 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 $6.7 billion in capital needs including enhancements are deferred from the plan's horizon.

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

**Tax-Supported Debt Service – City General Obligation Bonds**

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-31.

Table A-27 shows the annual amount of debt service payable on the City's outstanding GO bonds.

**TABLE A-27**
**General Obligation Bonds Debt Service**
**As of February 1, 2025[(1)(2)(3)]**

| Fiscal Year | Principal | Interest | Annual Debt Service |
|---|---|---|---|
| 2024-25 | $ 318,396,476 | $ 105,021,619 | $ 423,418,094 |
| 2025-26 | 172,886,279 | 106,815,845 | 279,702,124 |
| 2026-27 | 167,565,840 | 98,911,233 | 266,477,073 |
| 2027-28 | 172,394,035 | 91,221,340 | 263,615,375 |
| 2028-29 | 181,311,751 | 83,299,451 | 264,611,202 |
| 2029-30 | 190,205,095 | 74,830,961 | 265,036,056 |
| 2030-31 | 158,916,950 | 65,974,669 | 224,891,620 |
| 2031-32 | 165,595,000 | 58,985,796 | 224,580,796 |
| 2032-33 | 135,880,000 | 51,873,937 | 187,753,937 |
| 2033-34 | 119,425,000 | 46,151,265 | 165,576,265 |
| 2034-35 | 114,795,000 | 41,239,200 | 156,034,200 |
| 2035-36 | 81,495,000 | 36,576,173 | 118,071,173 |
| 2036-37 | 72,275,000 | 33,310,171 | 105,585,171 |
| 2037-38 | 75,135,000 | 30,444,141 | 105,579,141 |
| 2038-39 | 70,495,000 | 27,440,791 | 97,935,791 |
| 2039-40 | 71,675,000 | 24,598,341 | 96,273,341 |
| 2040-41 | 67,580,000 | 21,663,033 | 89,243,033 |
| 2041-42 | 70,535,000 | 18,710,534 | 89,245,534 |
| 2042-43 | 73,635,000 | 15,606,646 | 89,241,646 |
| 2043-44 | 76,885,000 | 12,357,536 | 89,242,536 |
| 2044-45 | 80,245,000 | 8,996,725 | 89,241,725 |
| 2045-46 | 46,575,000 | 5,506,630 | 52,081,630 |
| 2046-47 | 13,465,000 | 3,713,546 | 17,178,546 |
| 2047-48 | 14,040,000 | 3,137,495 | 17,177,495 |
| 2048-49 | 5,345,000 | 2,535,881 | 7,880,881 |
| 2049-50 | 5,530,000 | 2,354,712 | 7,884,712 |
| 2050-51 | 5,725,000 | 2,159,925 | 7,884,925 |
| 2051-52 | 5,935,000 | 1,950,338 | 7,885,338 |
| 2052-53 | 6,155,000 | 1,732,790 | 7,887,790 |
| 2053-54 | 6,380,000 | 1,506,973 | 7,886,973 |
| 2054-55 | 6,610,000 | 1,272,671 | 7,882,671 |
| 2055-56 | 6,855,000 | 1,029,667 | 7,884,667 |
| 2056-57 | 7,110,000 | 777,438 | 7,887,438 |
| 2057-58 | 7,370,000 | 515,551 | 7,885,551 |
| 2058-59 | 3,895,000 | 243,790 | 4,138,790 |
| 2059-60 | 4,010,000 | 123,668 | 4,133,668 |
| **TOTAL** | **$ 2,782,326,426** | **$ 1,082,590,481** | **$ 3,864,916,907** |

(1) This table only includes the City's General Obligation Bonds and does not include any of the overlapping debt as shown in Table A-33.

(2) Totals reflect rounding to nearest dollar.

(3) Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of assessed value.

Sources: Office of Public Finance, City and County of San Francisco

**Authorized but Unissued City GO Bonds**

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

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

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. Currently, $216.3 million remains authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. Currently, $107.5 million remains authorized and unissued.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to $628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. Currently, $243.0 million remains authorized and unissued.

In November 2020, voters approved Proposition A ("2020 Health and Recovery Bond"), which authorized the issuance of up to $487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. Currently, approximately $200.2 million remains authorized and unissued.

In March 2024, voters approved Proposition A ("2024 Affordable Housing Proposition"), which authorized the issuance of up to $300.0 million in general obligation bonds to construct, develop, acquire, and/or rehabilitate housing, including workforce housing and senior housing, that will be affordable to households ranging from extremely low-income to moderate-income households. Currently, approximately $152.8 million remains authorized and unissued.

In November 2024, voters approved Proposition B ("2024 Healthy, Safe, and Vibrant SF Bond"), which authorized the issuance of up to $390.0 million in general obligation bonds to finance the acquisition or improvement of temporary shelters, particularly for families; facilities that deliver healthcare services, including preventive care and behavioral health services, such as the Chinatown Public Health Center; critical repairs, renovations, and seismic upgrades at Zuckerberg San Francisco General Hospital and Trauma Center and Laguna Honda Hospital; and pedestrian and street safety improvements, streetscape enhancements, and other public space improvements. No series have yet been issued under the 2024 Healthy, Safe, and Vibrant SF Bond authorization.

Table A-28 on the following page lists for each of the City's voter-authorized general obligation bond programs, the amounts 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.

*[Remainder of Page Intentionally Left Blank]*

**TABLE A-28**
**General Obligation Bonds**
**As of February 1, 2025[1][2]**

| Bond Authorization Name | Election Date | Authorized Amount | Series | Bonds Issued | Bonds Outstanding | Authorized & Unissued |
|---|---|---|---|---|---|---|
| Seismic Safety Loan Program | 11/3/92 | $350,000,000 | 1994A | $35,000,000 | $- | |
| | | | 2007A | $30,315,450 | $10,346,426[2] | |
| | | | 2015A | $24,000,000 | - | |
| Reauthorization to Repurpose for Affordable Housing | 11/8/16 | | 2019A | $72,420,000 | $67,710,000 | |
| | | | 2020C | $102,580,000 | $91,915,000 | $85,684,550 |
| Clean & Safe Neighborhood Parks | 2/5/08 | $185,000,000 | 2008B | $42,520,000 | - | |
| | | | 2010B | $24,785,000 | - | |
| | | | 2010D | $35,645,000 | $21,090,000 | |
| | | | 2012B | $73,355,000 | - | |
| | | | 2016A | $8,695,000 | $5,325,000 | - |
| San Francisco General Hospital & Trauma Center Earthquake Safety | 11/4/08 | $887,400,000 | 2009A | $131,650,000 | - | |
| | | | 2010A | $120,890,000 | - | |
| | | | 2010C | $173,805,000 | $102,840,000 | |
| | | | 2012D | $251,100,000 | - | |
| | | | 2014A | $209,955,000 | - | - |
| Earthquake Safety and Emergency Response Bond | 6/8/10 | $412,300,000 | 2010E | $79,520,000 | - | |
| | | | 2012A | $183,330,000 | - | |
| | | | 2012E | $38,265,000 | - | |
| | | | 2013B | $31,020,000 | - | |
| | | | 2014C | $54,950,000 | - | |
| | | | 2016C | $25,215,000 | $15,995,000 | - |
| Road Repaving & Street Safety | 11/8/11 | $248,000,000 | 2012C | $74,295,000 | - | |
| | | | 2013C | $129,560,000 | - | |
| | | | 2016E | $44,145,000 | $28,005,000 | - |
| Clean & Safe Neighborhood Parks | 11/6/12 | $195,000,000 | 2013A | $71,970,000 | - | |
| | | | 2016B | $43,220,000 | $17,285,000 | |
| | | | 2018A | $76,710,000 | - | |
| | | | 2019B | $3,100,000 | - | - |
| Earthquake Safety and Emergency Response Bond | 6/3/14 | $400,000,000 | 2014D | $100,670,000 | - | |
| | | | 2016D | $109,595,000 | $53,965,000 | |
| | | | 2018C | $189,735,000 | - | - |
| Transportation and Road Improvement | 11/4/14 | $500,000,000 | 2015B | $67,005,000 | - | |
| | | | 2018B | $174,445,000 | - | |
| | | | 2020B | $135,765,000 | $95,430,000 | |
| | | | 2021C-1 | $104,785,000 | $81,070,000 | |
| | | | 2021C-2 | $18,000,000 | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| Affordable Housing Bond | 11/3/15 | $310,000,000 | 2016F | $75,130,000 | $36,230,000 | |
| | | | 2018D | $142,145,000 | $81,420,000 | |
| | | | 2019C | $92,725,000 | $20,680,000 | - |
| Public Health and Safety Bond | 6/7/16 | $350,000,000 | 2017A | $173,120,000 | - | |
| | | | 2018E | $49,955,000 | - | |
| | | | 2020D-1 | $111,925,000 | $75,385,000 | |
| | | | 2020D-2 | $15,000,000 | - | - |
| Embarcadero Seawall Earthquake Safety | 11/6/18 | $425,000,000 | 2020A | $49,675,000 | - | |
| | | | 2023B | $39,020,000 | - | |
| | | | 2025A-1 | $15,085,000 | $15,085,000 | |
| | | | 2025A-2 | $104,910,000 | $104,910,000 | $216,310,000 |
| Affordable Housing Bond | 11/5/19 | $600,000,000 | 2021A | $254,585,000 | $162,425,000 | |
| | | | 2023C | $170,780,000 | $104,160,000 | |
| | | | 2025C | $67,095,000 | $67,095,000 | $107,540,000 |
| Earthquake Safety and Emergency Response Bond | 3/3/20 | $628,500,000 | 2021B-1 | $69,215,000 | $62,665,000 | |
| | | | 2021B-2 | $11,500,000 | - | |
| | | | 2021E-1 | $74,090,000 | $57,975,000 | |
| | | | 2021E-2 | $13,000,000 | - | |
| | | | 2025B-1 | $197,030,000 | $197,030,000 | |
| | | | 2025B-2 | $20,680,000 | $20,680,000 | $242,985,000 |
| Health and Recovery Bond | 11/4/20 | $487,500,000 | 2021D-1 | $194,255,000 | $160,130,000 | |
| | | | 2021D-2 | $64,250,000 | - | |
| | | | 2023A | $28,785,000 | $27,025,000 | $200,210,000 |
| Affordable Housing Bond | 3/5/24 | $300,000,000 | 2025D | $147,230,000 | $147,230,000 | $152,770,000 |
| Healthy, Safe and Vibrant SF Bond | 11/5/24 | $390,000,000 | | | | $390,000,000 |
| SUBTOTAL | | $6,668,700,000 | | $5,273,200,450 | $1,931,101,426 | $1,395,499,550 |

| General Obligation Refunding Bonds | Dated Issued | | | Bonds Issued | Bonds Outstanding | |
|---|---|---|---|---|---|---|
| Series 2020-R1 | 5/7/20 | | | $195,250,000 | $140,415,000 | |
| Series 2021-R1 | 5/6/21 | | | $91,230,000 | $67,545,000 | |
| Series 2021-R2 | 9/16/21 | | | $86,905,000 | $25,205,000 | |
| Series 2022-R1 | 5/18/22 | | | $327,300,000 | $277,445,000 | |
| Series 2024-R1 | 5/22/24 | | | $340,615,000 | $340,615,000 | |
| SUBTOTAL | | | | $1,041,300,000 | $851,225,000 | |
| TOTALS | | $6,668,700,000 | | $5,762,470,450 | $2,782,326,426 | $1,395,499,550 |

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

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

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

**General Fund Lease Obligations**

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

Table A-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, certificates of participation, and equipment lease purchase agreements as of February 1, 2025.

**TABLE A-29**
**Debt Service on Lease Revenue Bonds and Certificates of Participation**
**As of February 1, 2025[1][2]**

| Fiscal Year | Principal | Interest[3] | Annual Payment Obligation |
|---|---|---|---|
| 2024-25[4] | $ 86,028,037 | $ 66,674,745 | $ 154,702,783 |
| 2025-26 | 82,318,229 | 69,304,214 | 151,622,443 |
| 2026-27 | 83,158,731 | 65,166,710 | 148,325,442 |
| 2027-28 | 78,900,000 | 61,087,550 | 139,987,550 |
| 2028-29 | 82,635,000 | 57,149,270 | 139,784,270 |
| 2029-30 | 86,375,000 | 53,155,516 | 139,530,516 |
| 2030-31 | 80,130,000 | 49,303,539 | 129,433,539 |
| 2031-32 | 73,890,000 | 45,957,453 | 119,847,453 |
| 2032-33 | 75,700,000 | 42,837,104 | 118,537,104 |
| 2033-34 | 78,905,000 | 39,472,572 | 118,377,572 |
| 2034-35 | 72,945,000 | 36,174,234 | 109,119,234 |
| 2035-36 | 74,000,000 | 32,777,980 | 106,777,980 |
| 2036-37 | 75,010,000 | 29,301,845 | 104,311,845 |
| 2037-38 | 78,330,000 | 25,780,658 | 104,110,658 |
| 2038-39 | 81,815,000 | 22,096,390 | 103,911,390 |
| 2039-40 | 85,480,000 | 18,229,478 | 103,709,478 |
| 2040-41 | 89,240,000 | 14,246,487 | 103,486,487 |
| 2041-42 | 76,885,000 | 10,080,611 | 86,965,611 |
| 2042-43 | 42,855,000 | 6,915,706 | 49,770,706 |
| 2043-44 | 42,755,000 | 5,021,056 | 47,776,056 |
| 2044-45 | 20,115,000 | 3,573,000 | 23,688,000 |
| 2045-46 | 13,695,000 | 2,768,400 | 16,463,400 |
| 2046-47 | 14,245,000 | 2,220,600 | 16,465,600 |
| 2047-48 | 13,220,000 | 1,650,800 | 14,870,800 |
| 2048-49 | 13,750,000 | 1,122,000 | 14,872,000 |
| 2049-50 | 14,300,000 | 572,000 | 14,872,000 |
| **TOTAL[5]** | **$ 1,616,679,998** | **$ 764,639,919** | **$ 2,381,319,917** |

(1) Includes privately placed lease purchase financings and excludes the 833 Bryant lease and commercial paper.

(2) Actual payment dates are used to project outstanding payment obligations.

(3) Totals reflect rounding to nearest dollar.

(4) Includes payments made to date in the 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 6.0%. These bonds are in variable rate mode.

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

**Voter-Approved Lease Revenue Bonds**

The City electorate has approved several lease revenue bond propositions, and the City has issued the lease revenue bonds set forth in Table 30. There are approximately $114.1 million of authorized but unissued voter-approved lease revenue bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition F, which authorizes the City to lease finance (without limitation as to maximum aggregate principal 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. There is no current plan to issue additional bonds at this time.

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of July 1, 2023, the total authorized and unissued amount for such financings was $100 million. There is no current plan to issue additional bonds at this time.

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

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

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

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Table A-30 below lists the City's outstanding certificates of participation, lease purchase financings, and voter-authorized lease revenue bonds.

**TABLE A-30**
**Outstanding Certificates of Participation and Lease Revenue Bonds[(1)]**
**As of February 1, 2025[(1)(2)]**

| Issue Name | Final Maturity | Original Principal | Outstanding Principal |
|---|---|---|---|
| **CERTIFICATES OF PARTICIPATION** | | | |
| Series 2009D - Taxable BABs (525 Golden Gate Avenue) | 2041 | $ 129,550,000 | $ 120,210,000 |
| Series 2013B - Non-AMT (Port Facilities Project) | 2038 | 4,830,000 | 4,830,000 |
| Series 2013C - AMT (Port Facilities Project) | 2043 | 32,870,000 | 19,195,000 |
| Series 2016A (War Memorial Veterans Building) | 2032 | 16,125,000 | 8,775,000 |
| Series 2017A - Taxable (Hope SF) | 2047 | 28,320,000 | 23,935,000 |
| Series 2017B (Moscone Convention Center Expansion Project) | 2042 | 412,355,000 | 345,655,000 |
| Series 2019A (49 South Van Ness Project) | 2050 | 247,810,000 | 236,815,000 |
| Refunding Series 2019-R1 (Multiple Capital Improvement Projects) | 2035 | 116,460,000 | 76,745,000 |
| Refunding Series 2020-R1 (Multiple Capital Improvement Projects) | 2033 | 70,640,000 | 53,255,000 |
| Series 2020 (Animal Care & Control Project) | 2041 | 47,075,000 | 42,330,000 |
| Series 2021A (Multiple Capital Improvement Projects) | 2041 | 76,020,000 | 70,730,000 |
| Series 2023A - Taxable (Affordable Housing and Community Facilities Projects) | 2043 | 103,410,000 | 100,670,000 |
| Series 2023B (Multiple Capital Improvement Projects) | 2043 | 80,040,000 | 77,595,000 |
| Refunding Series 2024-R1 (Multiple Capital Improvement Projects) | 2045 | 214,585,000 | 214,585,000 |
| Series 2024A (Multiple Capital Improvement Projects) | 2044 | 123,345,000 | 123,345,000 |
| **SUBTOTAL CERTIFICATES OF PARTICIPATION** | | **$ 1,703,435,000** | **$ 1,518,670,000** |
| **LEASE PURCHASE FINANCINGS** | | | |
| 2010 Lease Purchase Financing (SFGH Emergency Backup Generators) | 2025 | $ 22,549,489 | $ 2,243,998 |
| 2016 Lease Purchase Financing (Public Safety Radio Replacement Project) | 2026 | 34,184,136 | 7,302,012 |
| **SUBTOTAL LEASE PURCHASE FINANCINGS** | | **$ 56,733,625** | **$ 9,546,010** |
| **FINANCE CORPORATION LEASE REVENUE BONDS** | | | |
| Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable | 2030 | $ 72,670,000 | $ 21,500,000 |
| Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable | 2030 | 72,670,000 | 21,500,000 |
| Refunding Series 2018A (Open Space Fund - Various Park Projects) | 2029 | 34,950,000 | 16,115,000 |
| Refunding Series 2018B (Branch Library Improvement Program) | 2028 | 13,355,000 | 6,030,000 |
| **SUBTOTAL LEASE REVENUE BONDS** | | **$ 193,645,000** | **$ 65,145,000** |
| **TOTAL** | | **$ 1,953,813,625** | **$ 1,593,361,010** |

(1) Excludes commercial paper and California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) ($26,485,000)
(2) Actual payment dates are used to project outstanding payment obligations.
Source: Office of Public Finance, City and County of San Francisco.

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**Board Authorized and Unissued Long-Term Certificates of Participation**

Certain issuances have been authorized as supplements to a lease ("Master Lease"), which currently supports the City's outstanding Certificates of Participation ("COPs"), Series 2019-R1, Series 2020-R1, Series 2021A, Series 2023A, Series 2023B, Series 2024-R1 and Series 2024A, by and between the City and a third-party trustee, currently U.S. Bank National Association. Properties leased pursuant to the Master Lease currently include the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco; the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno; and One South Van Ness Property located at 1 South Van Ness Avenue, San Francisco.

*Treasure Island Improvement Project:* In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates.

*Housing Trust Fund Project:* In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) authorized under the Master Lease to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City previously issued commercial paper to finance these projects and paid down its commercial paper balance.

*Hall of Justice Relocation Projects*: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed $62.0 million principal amount of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) authorized under the Master Lease to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City funded $4.6 million in project fund and related financing costs related to this authorization for the 444 Sixth Street acquisition as part of the Certificates of Participation, Series 2021A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2025-26 or later.

*HOPE SF Project*: In December 2019, the Board authorized, and the Mayor approved the issuance of not to exceed $83.6 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the first long-term COPs under this authorization in fiscal year 2025-26 or later.

*Critical Repairs and Recovery Stimulus (FY2022)*: In July 2021, the Board authorized and the Mayor approved the issuance of not to exceed $67.5 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local economic stimulus projects. The City funded $31.9 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

*Critical Repairs, Recovery Stimulus and Street Repaving Projects (FY2023):* In July 2022, the Board authorized and in August 2022 the Mayor approved the issuance of not to exceed $140.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of (a) street repaving and reconstruction, (b) critical repairs, including renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and (c) local economic stimulus projects. The City funded $48.4 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2025-26 or later.

*Affordable Housing and Community Development Projects:* In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed $146.8 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvement, affordable housing and community facility development projects. The City funded $102.0 million in project funds for this authorization as part of the Certificates of Participation, Series 2023A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2025-26 or later.

*Critical Repairs and Street Repaving Projects (FY2024):* In September 2023 the Board authorized and the Mayor approved the issuance of not to exceed $77.2 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City expects to issue its first series of long-term COPs in fiscal year 2025-26 or later.

*Critical Repairs and Street Repaving Projects (FY2025):* In September 2024 the Board authorized and the Mayor approved the issuance of not to exceed $61.4 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City expects to issue its first series of long-term COPs in fiscal year 2025-26.

*Music Concourse Garage (FY2025)*: In September 2024 the Board authorized and the Mayor approved the issuance of not to exceed $29.0 million of City and County of San Francisco Certificates of Participation, to finance the acquisition of the Music Concourse Garage (Garage), with certain obligations associated with the construction of the Garage being defeased concurrently. The City expects to issue the COPs in fiscal year 2024-25.

*Treasure Island Stage 2 Certificates of Participation.* In May 2024, legislation amending the Development Agreement and Disposition and Development Agreement for the Treasure Island development project was approved by the Board of Supervisors. This amendment includes a proposal for the City to issue Certificates of Participation to fund $115 million in infrastructure improvements related to Stage 2 of the Treasure Island development project. In December 2024 the Board authorized the issuance of not to exceed $65.0 million of City and County of San Francisco Certificates of Participation to finance, refinance or reimburse expenditures relating to the construction of certain public facilities and improvements in connection with Stage 2 of the Treasure Island development project. The City expects to issue its first series of COPs in fiscal year 2024-25.

**Commercial Paper Program**

In March 2009, the Board of Supervisors 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 of Supervisors 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. Projects are eligible to access the CP Program once the Board of Supervisors and the Mayor have approved the project and the long-term, permanent financing for the project.

The Original CP Program notes are secured by a $150.0 million revolving credit agreement with Wells Fargo, which expires in March 2026.

The Second CP Program notes are secured by a $100.0 million revolving letter of credit issued by Bank of the West, which expires in April 2026.

As of February 15, 2025, the outstanding principal amount of CP Notes is $18.6 million. The average interest rate for the $7.7 million outstanding tax-exempt CP Notes is 2.64%. The interest rate for the $10.9 million outstanding taxable CP Notes is 4.45%. The projects with Board of Supervisors authorized and unissued Certificates of Participation currently utilizing the CP Program include HOPE SF, Critical Repairs & Recovery Stimulus, and Hall of Justice Relocation Project - Tenant Improvements. Additionally, there is a short-term financing for police vehicle acquisition utilizing the City's CP Program and is expected to be paid down over time. The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

| **Project** | **CP Notes Liability as of 2/15/2025** |
|---|---|
| HOPE SF | $3,935,699 |
| Critical Repairs & Recovery Stimulus | 11,674,155 |
| Police Vehicle Acquisition | 1,871,158 |
| HOJ Relocation – Tenant Improvements | 1,119,988 |
| **TOTAL*** | **$18,601,000** |

**** Projects may not sum to total due to rounding.***

**Overlapping Debt**

Table A-31 shows bonded debt and long-term obligations as of December 1, 2024, 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**
**Statement of Direct and Overlapping Debt and Long-Term Obligations**
**As of February 1, 2025**

| | | |
|---|---|---|
| 2024-25 Assessed Valuation (includes unitary utility valuation): | $ | 351,900,093,338 |
| **GENERAL OBLIGATION BONDED DEBT:** | | |
| **San Francisco City and County General and School Purposes** | **$** | **2,782,326,426** |
| San Francisco Unified School District Bonds | | 932,935,000 |
| San Francisco Community College District | | 642,020,000 |
| TOTAL GENERAL OBLIGATION BONDED DEBT | $ | 4,357,281,426 |
| **LEASE OBLIGATIONS BONDS:** | | |
| **San Francisco City and County** | $ | 1,593,361,013 |
| TOTAL LEASE OBLIGATION BONDED DEBT | $ | 1,593,361,013 |
| TOTAL COMBINED DIRECT DEBT | $ | 5,950,642,439 |
| **OVERLAPPING TAX AND ASSESSMENT DEBT** | | |
| Bay Area Rapid Transit District General Obligation Bond (33.728%) | $ | 793,683,107 |
| San Francisco Community Facilities District No. 6 | | 114,415,000 |
| San Francisco Community Facilities District No. 7 | | 27,160,000 |
| San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2 | | 2,050,422 |
| San Francisco Community Facilities District No. 2014-1 Transbay Transit Center | | 562,820,000 |
| San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2 | | 99,140,000 |
| San Francisco Special Tax District No. 2020-1 Mission Rock Facilities | | 150,825,000 |
| City of San Francisco Assessment District No. 95-1 | | 145,000 |
| ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements | | 7,805,000 |
| ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill | | 4,275,000 |
| ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza | | 2,495,000 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | $ | 1,764,813,529 |
| **OVERLAPPING TAX INCREMENT DEBT:** | | |
| Successor Agency to the San Francisco Redevelopment Agency | $ | 757,789,273 |
| Transbay Joint Powers Authority | | 222,965,000 |
| TOTAL OVERLAPPING INCREMENT DEBT | $ | 980,754,273 |
| **OVERLAPPING TAX INCREMENT REVENUE DEBT:** | | |
| San Francisco Infrastructure and Revitalization Financing District No. 1 | $ | 37,420,000 |
| TOTAL OVERLAPPING TAX INCREMENT REVENUE DEBT | $ | 37,420,000 |
| **TOTAL DIRECT AND OVERLAPPING BONDED DEBT** | $ | 8,733,630,241[(1)] |

| **Ratios to 2024-25 Assessed Valuation ($351,900,093,338)** | **Actual Ratio** |
|---|---|
| Direct General Obligation Bonded Debt ($4,357,281,426) | 1.24% |
| Combined Direct Debt ($5,950,642,439) | 1.69% |
| Total Direct and Overlapping Bonded Debt | 2.48% |
| **Ratio to 2024-25 Redevelopment Incremental Valuation ($45,832,885,271)** | |
| Total Overlapping Tax Increment Debt | 2.14% |

(1) Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds.
Source: California Municipal Statistics Inc., City and County of San Francisco

## CITY GOVERNMENT

### City Charter

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

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (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 Mills Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport. In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. SFO, the Port, SFPUC (which includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including twenty one public parking garages), and the City-owned hospitals (Zuckerberg San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, annually receive significant General Fund transfers.

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

**Mayor**

In November 2024, Daniel Lurie was elected as the City's 46th Mayor. He took office on January 8, 2025, succeeding Mayor Breed.

**Board of Supervisors**

Table A-32 lists the members of the Board of Supervisors effective January 8, 2025. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

**TABLE A-32**
**Board of Supervisors**

| Name | First Elected or Appointed | Current Term Expires |
|---|---|---|
| Connie Chan, District 1 | 2021 | 2029 |
| Stephen Sherill, District 2 | 2024 | 2027 |
| Danny Sauter, District 3 | 2025 | 2029 |
| Joel Engardio, District 4 | 2023 | 2027 |
| Bilal Mahmood, District 5 | 2025 | 2029 |
| Matt Dorsey, District 6 | 2022 | 2027 |
| Myrna Melgar, District 7 | 2021 | 2029 |
| Rafael Mandelman, Board President, District 8 | 2018 | 2027 |
| Jackie Felder, District 9 | 2025 | 2029 |
| Shamann Walton, District 10 | 2019 | 2027 |
| Chyanne Chen, District 11 | 2025 | 2029 |

**Other Elected and Appointed City Officers**

The City Attorney, an elected position, represents the City in all legal proceedings in which the City has an interest. On November 4, 2024, David Chiu was re-elected to serve as the San Francisco City Attorney.

The Assessor-Recorder, a citywide elected position, administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. Mr. Torres ran and was elected by voters in a special election on February 15, 2022 to his current term as Assessor-Recorder.

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 2024 for a term that extends through January 2029. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom.

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. On January 10, 2024, Mayor Breed appointed Greg Wagner, formerly the Chief Operating Officer of the City's

Department of Public Health, to a ten-year term as Controller of the City. Mr. Wagner's appointment was confirmed by the Board of Supervisors on January 23, 2024, in accordance with the Charter.

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 which consists 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. Carmen Chu was sworn in as the City Administrator on February 2, 2021.

## THE SUCCESSOR AGENCY

The San Francisco Redevelopment Agency (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 ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that ABx1 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency. The Successor Agency exercises land use, development and design approval authority for the developed projects. The Successor Agency, in addition to other various City agencies and entities, also may issue community facilities district bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations. See also, Table A-33: "Statement of Direct and Overlapping Debt and Long-Term Obligations."

## CITY INFRASTRUCTURE FINANCING DISTRICTS

San Francisco has formed numerous special financing districts in order to finance infrastructure improvements benefiting the public in newly developing areas of the City. Projects that may be financed by revenues from special finance districts include, but are not limited to streets, water and sewer systems, libraries, parks, and public safety facilities. Pursuant to California Government Code Section 53395 *et seq.* ("IFD Law"), the Board of Supervisors has formed Infrastructure Financing Districts, Infrastructure Revitalization Financing Districts, and Enhanced Infrastructure Financing Districts (collectively "IFDs") within the geographic boundaries of the City.

Under IFD Law, municipalities may fund improvements within the IFD geographic boundary. IFDs capture increases in property tax revenue stemming from growth in assessed value as a result of new development and use that revenue to finance infrastructure projects and improvements. Each district has its own plan of finance for the allocation and use of tax increment.

## 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 were authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

### Article XIIIA of the California Constitution

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

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

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

### Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county,

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

**Articles XIIIC and XIIID of the California Constitution**

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

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

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

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

**Proposition 1A**

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government

authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. If the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

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

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

**Proposition 22**

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increases 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 "THE SUCCESSOR AGENCY" 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 of the State approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIIIA and XIIIC 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 was repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

**Future Initiatives and Changes in Law**

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

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

## LEGAL MATTERS AND RISK MANAGEMENT

### Pending Litigation

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

### Ongoing Investigations

Community Challenge Grant Program Investigation. On August 29, 2023, the San Francisco District Attorney charged Lanita Henriquez, who served as the director of the San Francisco Community Challenge Grant Program under the Office of the San Francisco City Administrator, and Rudolph Dwayne Jones, a former City official who occasionally served as a prime contractor and a subcontractor to the SFPUC, with counts of misappropriation of public monies, bribery, and financial conflict of interest in a government contract. It is alleged that Ms. Henriquez and Mr. Jones misappropriated public money between 2016 and 2020, that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling $25,000, while Ms. Henriquez directed government grant contracts exceeding $1.4 million to entities controlled by Mr. Jones, in which entities Ms. Henriquez also had a financial stake, between 2016 and 2020.

The San Francisco District Attorney has not alleged any impropriety in connection with the sole grant program Ms. Henriquez administered for the SFPUC and the SFPUC has confirmed that there are no active direct contracts between the SFPUC and Mr. Jones or his affiliated entities. The SFPUC has, however, identified four subcontracts between Mr. Jones or his affiliated entities and other SFPUC prime contractors that were effective on the date that Mr. Jones was charged, and directed each of the four prime contractors retaining Mr. Jones and/or any entities affiliated with Mr. Jones, to terminate or cancel any subcontract, service order, or other contractual arrangement such parties.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation. The San Francisco District Attorney's Office Public Integrity Task Force has also independently investigated certain of the matters described here, and the City can give no assurance when this task force will complete its investigation.

Recology Settlement. On March 4, 2021, the City Attorney announced an approximately $100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to Mr. Nuru and others. As part of the Settlement, Recology was required to lower commercial and residential rates starting April 1, 2021 and make a $7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology was approved by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing.

On May 16, 2022, the Controller's Office released a public integrity assessment report on the review of rate-setting and rate reporting processes, and profits earned by Recology that were over and above allowed profit margins. The report found that Recology netted profits of $23.4 million over and above the allowed profit margin set in the 2017 Rate Application. Even after taking into account the 2021, $101 million settlement in restitution, penalties, and interest to ratepayers affected by the erroneous calculation of revenues in the rate application, Recology consistently exceeded their allowable operating profits.

On June 7, 2022, the voters of San Francisco passed Proposition F, a ballot measure that allows the City to oversee Recology more closely, including certain changes to the composition of the Refuse Rate Board. The changes are intended to provide more oversight with respect to monitoring rates to residential and commercial customers.

In addition to the ongoing joint investigation by the City Attorney's Office and the Controller's Office into City contracting policies and procedures, the City's Board of Supervisors has conducted a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee also considered the Controller's periodic reports. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be. The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing.

Human Rights Commission Investigation. On October 11, 2024, Sheryl Davis the Executive Director of Human Rights Commission resigned her post amid allegations of the misuse of public funds. Mawuli Tugbenyoh, formerly the deputy director for the city's Department of Human Resources, was named acting interim director of the Commission. The Mayor announced the imposition of tighter financial controls regarding spending for the Commission. The investigation is ongoing and the City can give no assurance about the outcome of the investigation.

**AB 218 and AB 2777 (Sexual Abuse Victims Acts)**

Assembly Bill 218, which is called the "California Child Victims Act", became effective in January 2020, and Assembly Bill 2777, which is called the "Sexual Abuse and Cover Up Accountability Act", became effective in January 2023. These bills allow alleged victims of sexual abuse to bring claims which previously had been barred by the applicable statute of limitations. Although there are certain, existing claims against the City as a result of the enactment of these laws, the City is still in the process of evaluating whether these types of claims might have a material impact on the City's finances. The City can give no assurances that additional claims will not be brought against the City as a result of these laws or that any additional claims will not have a material impact on the City's finances.

**Risk Retention Program**

Citywide risk management is coordinated by the Risk Management Division of the City Administrator's Office. With certain exceptions, it is the general policy of the City to first evaluate self-insurance and not purchase commercial liability insurance for the risks of losses to which it is exposed. 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. For property insurance, these factors include 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, SFPUC, 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. In recent years, the City has purchased Cyber

Liability insurance for departments and certain enterprise fund departments providing critical City services and/or managing high volumes of confidential/personal data.

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 ACFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City is self-insured for the financial risk and liability to provide workers' compensation benefits to its employees. The administration of workers' compensation claims and disbursement of all benefit payments is managed by the Workers' Compensation Division of the City's Department of Human Resources and its contracted third-party claims administrator. Estimates of future workers' compensation costs are based on the following criteria: (i) the frequency and severity of historical claim filings; (ii) average claim losses by expense category; (iii) gross payroll and workforce composition; (iv) benefit cost inflation, including increases to the statewide average weekly wage, and medical cost growth; and (v) regulatory developments that impact benefit cost and delivery. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual claim benefit expenditures and an allocated share of overhead expenses for self-insurance administration. The City continues to develop and implement programs to lower or mitigate workers' compensation costs.

**APPENDIX B**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

# APPENDIX C

## SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

**$_____**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[_][A]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(TAX-EXEMPT)**

**$_____**
**CITY AND COUNTY OF SAN FRANCISCO**
**CERTIFICATES OF PARTICIPATION**
**SERIES 202[_][B]**
**(MULTIPLE CAPITAL IMPROVEMENT PROJECTS)**
**(FEDERALLY TAXABLE)**

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 [nTH] Supplement to Trust Agreement, dated as of [_____] 1, 202[_] and the [nTH] Supplement to Trust Agreement, dated as of [_____] 1, 202[_] (as supplemented and amended, the "Trust Agreement"), between the City and U.S. Bank Trust Company, National Association, as successor-in-interest to 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 [nTH] Supplement to Project Lease, dated as of [_____] 1, 202[_] and the [nTH] Supplement to Project Lease, dated as of [_____] 1, 202[_] (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 [2024-25] Fiscal Year (which is due not later than [March 27, 2026]), 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, in a timely manner, 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 lease obligations and certificates of participation 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 of 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: _____ __, 202[_]

**CITY AND COUNTY OF SAN FRANCISCO**

Greg Wagner
Controller

Approved as to form:

DAVID CHIU
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 Issuer: | CITY AND COUNTY OF SAN FRANCISCO |
| Name of Issue: | CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION, SERIES 202[_][A] (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (TAX-EXEMPT) AND CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION, SERIES 202[_][B] (MULTIPLE CAPITAL IMPROVEMENT PROJECTS) (FEDERALLY TAXABLE) |
| Date of Delivery: | _____ __, 202[_] |

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 detailed 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 OPINION**

*[To come]*

**APPENDIX G**

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

# FY26 & FY27
# Street Resurfacing and Curb Ramps
# Certificates of Participation

Controller's Office of Public Finance

Department of Public Works

September 3, 2025

# The FY26 & FY27 COPs

- Proceeds from the FY26 & FY27 COPs are appropriated in the FY2025-26 and FY2026-27 AAO

## FY 2025-26 PROJECTS

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing | $23,000,000 |
| DPW | Curb Ramps | 2,000,000 |
| **Subtotal FY 2025-26 Projects** | | **$25,000,000** |

## FY 2026-27 PROJECTS

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing | $23,000,000 |
| DPW | Curb Ramps | 2,000,000 |
| **Subtotal FY 2026-27 Projects** | | **$25,000,000** |

# Approval of the COPs, Not-to-Exceed $65.0M

## CURRENT PLAN OF FINANCE

- Not to exceed par amount of $65.0M
- Final Maturity of April 1, 2047*
- True Interest Cost: 6.84%*
- Total Debt Service: $110.7M*
- Average Annual Debt Service: $5.5M*

## LEASE-LEASE BACK STRUCTURE

- COPs are structured as a lease-lease back agreement, in which the City leases City-owned property to a Trustee and then pays to lease back the property
- The City maintains a master lease agreement ("Master Lease") to fund existing and planned COPs by utilizing the inherent value of the City's assets to finance debt-supported projects
  - The pool of City assets under the Master Lease currently includes the Laguna Honda Hospital Campus, San Bruno Jail Complex, and One South Van Ness

**Preliminary estimates, subject to change. Provided by KNN Public Finance.*

## AGGREGATE SOURCES AND USES

| | |
|---|---|
| **Sources:** | |
| COP Proceeds | |
| Estimated Par Amount | $65,000,000 |
| **Uses:** | |
| Project Funds | $50,000,000 |
| CSA Audit Fee (0.2% of project) | $100,000 |
| Capitalized Interest | $2,095,800 |
| Debt Service Reserve Fund | $5,658,000 |
| Delivery Date Expenses | |
| Cost of Issuance | $1,607,040 |
| Underwriter's Discount | $419,160 |
| **Total Uses:** | $59,880,000 |
| *Plus: Reserve for Market Uncertainty* | *$5,120,000* |
| **Maximum Not-to-Exceed Par Amount** | **$65,000,000** |

# Anticipated Financing Timeline

| Milestones | Dates |
|---|---|
| • Introduction of the Ordinance to the Board of Supervisors | July 22, 2025 |
| • Budget and Finance Committee Hearing | September 3, 2025 |
| • Board Considers Approval of the Ordinance (1st Reading) | September 9, 2025 |
| • Final Board Approval of the Ordinance (2nd Reading) | September 16, 2025 |
| • Sale and Closing of COPs | 2026 |

# Street Resurfacing and Curb Ramps COPs

- COPs preserve capital momentum and delivery stability.
- Streets COPs provide essential bridge funding to maintain delivery of core street programs.

### STREET RESURFACING PROGRAM

| Fiscal Year | COPs | Total Program Funding |
|---|---|---|
| FY21–22 | - | $79.9M |
| FY22–23 | $30.0M | $77.2M |
| FY23–24 | $30.0M | $76.4M |
| FY24–25 | $23.9M | $70.3M |
| FY25–26 | $23.0M | $69.6M |
| FY26–27 | $23.0M | $69.9M |

- Street Resurfacing COPs represent 36% of total funding post Health & Recovery Bond (FY23 onward)

### CURB RAMP PROGRAM

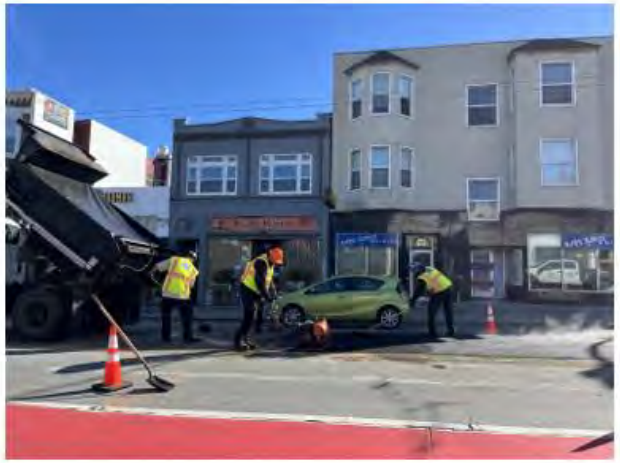
| Fiscal Year | COPs | Total Program Funding |
|---|---|---|
| FY21–22 | $4.0M | $12.2M |
| FY22–23 | $3.0M | $9.0M |
| FY23–24 | - | $2.8M |
| FY24–25 | - | $5.3M |
| FY25–26 | $2.0M | $5.4M |
| FY26–27 | $2.0M | $5.4M |

- Curb Ramp COPs represent 25% of total funding post Health & Recovery Bond (FY23 onward)

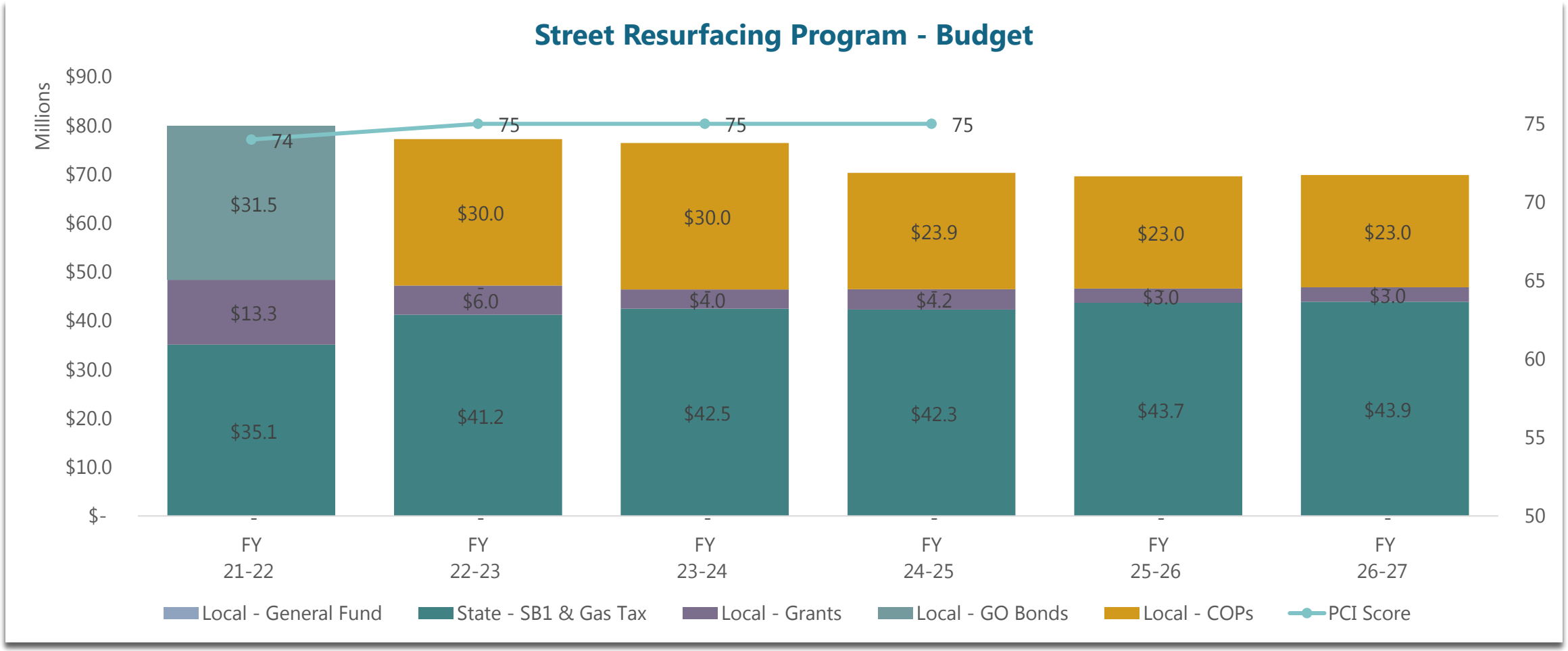
Total Program Funding includes programmed local grants.

# Street Resurfacing Program Overview

- Resurface 500 blocks annually
- Prioritization considers equity zones, high injury corridors and utility coordination



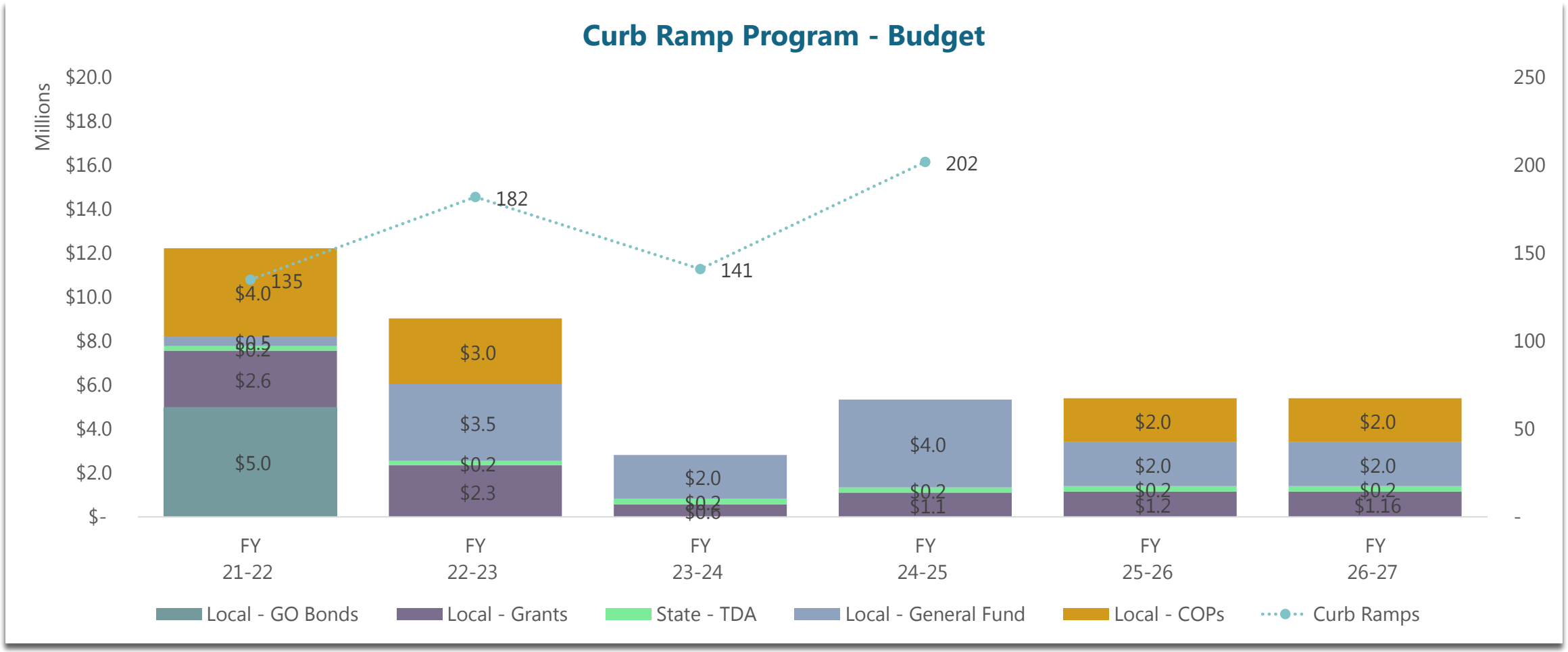
# Street Resurfacing Program Funding



# Curb Ramp Program Overview

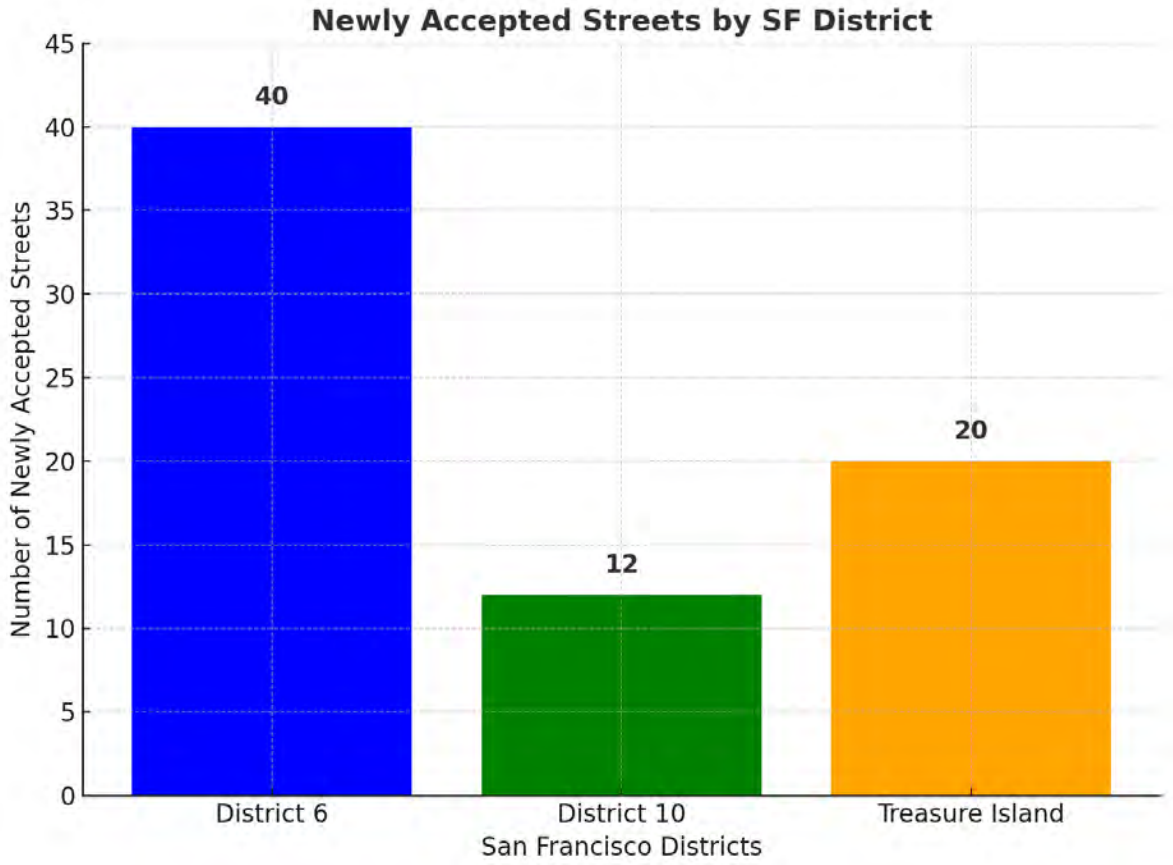
- 10 Year Capital Plan Goal: 100% coverage by 2035
- 400+ ramps/year needed; current funding supports 175/year
- Risks: trip/fall liability, public accessibility and safety concerns

# Curb Ramp Program Funding



# Program Outcomes Supported by COPs

- Resurfacing: Helps prevent a sharp decline in network condition and slows deferred maintenance growth.
- Curb Ramps: Sustained funding is needed to stay on track for 2035 ADA compliance, manage public request backlogs, and reduce trip-and-fall risk.
- Geographic equity is monitored to ensure resurfacing projects are distributed to all neighborhoods and areas of the City.



# Thank you!

# OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Anna Van Degna
Director of Public Finance


# MEMORANDUM

TO: Board of Supervisors of the City and County of San Francisco

FROM: Anna Van Degna, Director of the Controller's Office of Public Finance
Grant Carson, Debt Capital Markets Specialist, Controller's Office of Public Finance

DATE: July 17, 2025

SUBJECT: **Ordinance Authorizing Certificates of Participation (Multiple Capital Improvement Projects) – Not to Exceed $65,000,000 for Street Resurfacing and Curb Ramps Projects**

---

## Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for adoption the ordinance (the "Ordinance") authorizing the execution and delivery of Certificates of Participation (Multiple Capital Improvement Projects) (the "FY26/FY27 COPs") in an aggregate principal amount not-to-exceed $65,000,000 to finance certain capital improvement projects generally consisting of street resurfacing and curb ramps projects. The proceeds of the FY26/FY27 COPs were proposed to be appropriated in fiscal years 2025-26 and 2026-27 in the Annual Budget and Appropriation Ordinance (the "AAO"). In addition to the projects, proceeds of the long-term FY26/FY27 COPs will fund related financing costs and reserves and may also be used to refinance/retire commercial paper notes of the City issued on an interim basis for such purposes.

## Background

The City has historically included options like Critical Repairs and Street Resurfacing Certificates of Participation ("COPs") in its Ten-Year Capital Plan's General Fund Debt Program as a capital source specifically to maintain critical infrastructure for municipal services. In recent years, certain capital projects that would typically be funded with cash on hand are either being deferred or considered for COPs funding. While it is feasible to defer certain projects, there are critical repairs and replacements requiring more immediate funding action to continue providing essential services.

*Prior Authorizations:* On July 27, 2021, the Board of Supervisors (the "Board") passed Ordinance No. 123-21, authorizing the issuance of not-to-exceed $67,500,000 of COPs to finance $56,732,000 in Critical Repairs and Economic Recovery Stimulus projects in the fiscal year 2021-22 budget (the "FY22 COPs"). On July 26, 2022, the Board passed Ordinance No. 183-22, authorizing the issuance of not-to-

exceed $140,000,000 of COPs to finance $109,190,000 in Critical Repairs, Streets, and Economy Recovery Stimulus projects in the fiscal year 2022-23 budget (the "FY23 COPs"). On September 19, 2023, the Board passed Ordinance No. 197-23, authorizing the issuance of not-to-exceed $77,170,000 of COPs to finance $58,400,000 in Critical Repairs and Street Resurfacing projects in the Fiscal year 2023-24 budget (the "FY24 COPs"). On September 24, 2024, the Board passed Ordinance No. 229-24, authorizing the issuance of not-to exceed $61,395,000 of COPs to finance $45,000,000 in Critical Repairs and Street Resurfacing projects in the fiscal year 2024-25 budget (the "FY25 COPs").

## The Capital Plan

The City's current Ten-Year Capital Plan (FY2026-2035) ("Adopted Capital Plan") was approved by the Board on April 15, 2025, through Resolution No. 158-25. The Adopted Capital Plan includes a General Fund Debt Program wherein the debt service associated with previously issued COPs and the anticipated incremental debt service associated with the delivery and execution of projected COPs complies with the City's policy of limiting General Fund debt service payments at or below 3.25% of General Fund Discretionary Revenues.

On May 2, 2025, subsequent to the adoption of the Adopted Capital Plan, the Controller's Office sent a memorandum to the Mayor and the Board with an update of the City's COP projections, which incorporated the General Fund Discretionary Revenues published in the March 2025 Five-Year Financial Plan Update and the actual debt service of the Series 2025B COPs issued in March 2025. The memo identified additional COP capacity of $54.5 million under the 3.25% policy constraint.

At the May 5, 2025, Capital Planning Committee (the "CPC") meeting, the CPC approved the fiscal year 2025-26 and fiscal year 2026-27 General Fund Department Capital Budget with an amendment to include $50 million in aggregate project funding for Department of Public Works ("DPW") street resurfacing and curb ramps projects through the issuance of COPs. The project funds allocated $23 million for street resurfacing and $2 million for curb ramps in fiscal year 2025-26, with an additional $23 million for street resurfacing and $2 million for curb ramps in fiscal year 2026-27.

## The Projects

The proceeds of the FY26/FY 27 COPs were proposed to be appropriated in the AAO. The proposed projects to be funded by the FY26/FY 27 COPs are shown in the tables below by fiscal year. An overview of the Critical Repairs, Street Resurfacing, and Recovery Stimulus projects funded by the FY22 COPs, FY23 COPs, FY24 COPs, and FY25 COPs is included as Attachment 2.

### FY 2025-26 Projects

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing | $23,000,000 |
| DPW | Curb Ramps | 2,000,000 |
| Subtotal FY 2025-26 Projects | | $25,000,000 |

### FY 2026-27 Projects

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing | $23,000,000 |
| DPW | Curb Ramps | 2,000,000 |
| Subtotal FY 2026-27 Projects | | $25,000,000 |

## The Current Plan of Finance

The proposed Ordinance authorizes the execution and delivery of tax-exempt and/or taxable COPs in one or more series with an aggregate par amount not-to-exceed $65.0 million. Based on the initial project information, the Office of Public Finance ("OPF") currently anticipates issuing approximately $58.7 million in COPs, though the final amount will be based on prevailing market assumptions at the expected time of sale. The difference between the expected issuance amount and the $65.0 million not-to-exceed amount allows for changes in the tax-status of the FY26/FY27 COPs (tax-exempt vs taxable), market fluctuations in interest rates prior to the sale or sales of the FY26/FY27 COPs, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses if the FY26/FY27 COPs are issued in more than one series.

*Commercial Paper*. The current plan of finance anticipates utilizing the City's commercial paper program ("CP Program"), which was launched in FY2009-10 pursuant to Resolution Nos. 85-09 and 136-10, to finance project costs prior to the issuance of long-term COPs. Pursuant to Resolution No. 247-13 approved in July 2013, the City's total CP Program authorization was increased to $250 million. Pursuant to Resolution No. 086-23 approved in February 2023, the Board re-authorized CP Series 1&2 at $150,000,000, and pursuant to Resolution No. 116-22 approved in April 2022, the Board re-authorized CP Series 3&4 at $100,000,000. Of the $250 million total authorization for the City's CP Program, approximately $111 million has been released from Controller's reserve and $44 million of CP is outstanding as of July 22, 2025.

Based upon an estimated 6.84% true interest cost (assuming current market rates plus an interest rate cushion) and an anticipated total par value of $58.7 million, the total principal and interest payments over the approximate 20-year repayment term of the FY26/FY27 COPs are estimated to be approximately $110.7 million. Based on market conditions or other factors expected at the time of the sale, the FY26/FY27 COPs could be structured with up to a 30-year term.

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 projects on a tax-exempt basis. Actual results may differ if assumed market conditions or the final tax status requirements to be determined by bond counsel and the City Attorney's Office closer to the sale of the FY26/FY27 COPs.

The table below outlines the aggregate sources and uses appropriated for the FY26/FY27 COPs in the AAO.

**Aggregate Sources & Uses of the FY26/FY27 COPs**

| | |
|---|---|
| Sources: | |
| COP Proceeds: | $65,000,000 |
| Uses: | |
| Project Funds | $50,000,000 |
| CSA Audit Fee (0.2% of Project Funds) | 100,000 |
| Capitalized Interest | 2,095,800 |
| Debt Service Reserve Fund | 5,658,000 |
| Delivery Date Expenses | |
| Cost of Issuance | 1,607,040 |
| Underwriter's Discount | 419,160 |
| Reserve for Market Uncertainty | 5,120,000 |
| Total Uses | $65,000,000 |

## The FY26/FY27 COPs

Under the proposed Ordinance, the City will structure the FY26/FY27 COPs using a lease-lease back structure. This lease will be a supplemental to a lease (the "Master Lease") which currently supports the City's outstanding Series 2019-R1 COPs, Series 2020-R1 COPs, Series 2021A COPs, Series 2023A COPs, Series 2023B COPs, Series 2024-R1 COPs, Series 2024A COPs and various other Board authorized but unissued COPs (the "Master Lease COPs") by utilizing subsequent supplement agreements 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 Trust Company National Association (the "Trustee").

The Master Lease currently includes the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco; the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno; and the One South Van Ness Property located at 1 South Van Ness, San Francisco (together, the "Leased Properties"). The Director of OPF can designate additional properties to be added as assets under the Master Lease as needed.

*Original Property Lease* and *Original Project Lease*: Pursuant to the Original Property Lease, the City leases 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 Master Lease COPs. When the Master Lease 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 with respect to the Master Lease COPs.

*Original Trust Agreement*: Pursuant to the Original Trust Agreement between the City and the Trustee acting on behalf and for the benefit of Master Lease COPs holders, the Trustee administers and disburses payments with respect to the Master Lease 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 Master Lease COPs, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The Trustee holds proceeds derived from the sale of the Master Lease COPs and disburses payments for the costs incurred for the Project, as directed by authorized City representatives.

The subsequent supplements to the Original Property and Project Leases, 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 is necessary to make debt service payments with respect to the Master Lease COPs.

## Additional Information

The forms of the related financing documents—including the Preliminary Official Statement, Appendix A Purchase Contract, Notice of Intention to Sell, the Continuing Disclosure Certificate, and related documents—will also be submitted, as described below.

*Official Statement*: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the FY26/FY27 COPs. The Official Statement describes the FY26/FY27 COPs, including sources and uses of funds; security for the FY26/FY27 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 Annual Comprehensive 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 FY26/FY27 COPs.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the FY26/FY27 COPs and within seven days of the public offering, the Final Official Statement (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the FY26/FY27 COPs.

The Board of Supervisors and the Mayor, in adopting and approving the proposed Ordinance, approve and authorize the use and distribution of the Official Statement by the City's Municipal Advisor with respect to the FY26/FY27 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.

*Official Notice of Sale and Notice of Intention to Sell* (if the FY26/FY27 COPs are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the FY26/FY27 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 FY26/FY27 COPs announces the date and time of a competitive sale, including the terms relating to the FY26/FY27 COPs; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the FY26/FY27 COPs. Pursuant to the Ordinance, the Controller and the Director of Public Finance are authorized to award the FY26/FY27 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.

*Purchase Contract* (if the FY26/FY27 COPs are sold on a negotiated basis): The City will work with its Municipal Advisor to determine whether a negotiated or competitive sale will be most advantageous for the transaction based on market conditions closer to the sale of the FY26/FY27 COPs. Should the FY26/FY27 COPs be sold via a negotiated sale with an underwriter(s), the Purchase Contract will be the document that details the terms, covenants, and conditions for the sale of the FY26/FY27 COPs through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents. For a negotiated sale, the City would either work with its Municipal Advisor to select qualified firm(s) from the City's Underwriter Pool, which was established via a competitive Request for Qualifications ("RFQ") process, or award to the highest scoring firm established during the RFQ process.

*Continuing Disclosure Certificate*: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made to assist initial purchasers of the FY26/FY27 COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

## Anticipated Financing Timeline

| Preliminary Schedule | Dates* |
|---|---|
| • Introduction of the Ordinance to the Board of Supervisors | July 22, 2025 |
| • Budget and Finance Committee Hearing | September 3, 2025 |
| • Board Considers Approval of the Ordinance (1st Reading) | September 9, 2025 |
| • Final Board Approval of the Ordinance (2nd Reading) | September 16, 2025 |
| • Potential Sale and Closing of Initial Tranche of COPs | 2026 |

*Please note that dates are estimated unless otherwise noted.

Please contact Anna Van Degna (Anna.VanDegna@sfgov.org) or Grant Carson (Grant.Carson@sfgov.org) if you have any questions. Your consideration of this matter is greatly appreciated.

# Attachment 1

## GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, KNN Public Finance.

1. True interest cost of the COPs: 6.84%

2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): $1,213,944

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: $50,100,000

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: $110,712,994

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

# Attachment 2

## FY22 COPS: CRITICAL REPAIRS & RECOVERY STIMULUS PROJECTS

### Critical Repairs Projects – FY22 COPs

| Department | Project | Amount | |
|---|---|---|---|
| ADM | City Hall HVAC & Elevators | $8,275,000 | |
| ADM | 1 S. Van Ness Bathrooms & Elevators | 2,100,000 | |
| ADM | Hall of Justice HVAC | 4,800,000 | |
| DPH | Laguna Honda Hospital Emergency Power | 7,600,000 | |
| DPW | Curb Ramps with Basements | 4,000,000 | |
| DPW | Infill Sidewalks in Bayview | 2,000,000 | |
| DT | Fiber Backbone | 2,500,000 | |
| REC | Stow Lake ADA Improvements | 900,000 | |
| SHF | County Jail 2 Elevators & Fire Safety Systems | 5,407,000 | [1,2] |
| SHF | County Jail 5 Security Electronics & Fire Safety Systems | 4,450,000 | |
| WAR | Davies Hall Elevators | 2,200,000 | |
| ART | AAACC - Seismic Cost Escalation | 1,340,000 | [1] |
| DEM | Dispatch Floor Remodel | 1,570,701 | |
| - | COVID Impact Contingency | 89,299 | [1] |
| Subtotal Critical Repairs COPs | | $47,232,000 | |

### Recovery Stimulus Projects – FY22 COPs

| Department | Project | Amount | |
|---|---|---|---|
| OEWD | SF Wholesale Produce Market (roadway improvements etc.) | $3,000,000 | |
| DPW | Better Market Street (pedestrian & streetscape improvements) | 3,000,000 | |
| DPH | Zuckerberg SF General New Childcare Center* | 1,500,000 | [1] |
| - | Matching Funds Contingency* | 2,000,000 | [1] |
| Subtotal Recovery Stimulus COPs | | $9,500,000 | |

| Total FY22 COPs |
|---|

[1]Amounts were adjusted during the FY2023-24 budget cycle, as further described below.
[2]Amounts are proposed to be adjusted during FY2025-26 budget cycle, as further described below.

# FY23 COPS: CRITICAL REPAIRS, RECOVERY STIMULUS, AND STREET RESURFACING PROJECTS

**Critical Repairs Projects – FY23 COPs**

| Department | Project | Amount |
|---|---|---|
| ADM | GGP Barrier Removals - Public RoW - JFK Drive & Stanyan Curb | $900,000 |
| ADM | 1 SVN Fire Detection System Emergency Equipment | 1,000,000 |
| ADM | 1099 Sunnydale – Boiler | 400,000 [1] |
| ADM | 1650M - Chiller/Cooling Tower | 500,000 |
| ADM | 25 VN - Elevator Controls | 1,000,000 |
| ADM | 50 Raymond - Exterior Siding Replacement | 500,000 |
| ADM | 555 7th Street Elevator Project & Exterior Improvements | 2,250,000 |
| ADM | City Hall - Flat Roof - Waterproofing | 2,500,000 |
| ADM | Civic Center - Steam Loop Renewal | 3,738,000 |
| ADM | Underground Fuel Tank Replacements | 9,225,727 |
| DPH | Clin Lab Automation System | 4,000,000 |
| DPH | ZSFG Improvements | 7,000,000 |
| DPW | Curb Ramps with Basements | 3,000,000 |
| DPW | Lakeview and Lee Steps | 500,000 [1] |
| DPW | Operations Yard Tenant Improvements & HVAC | 2,580,751 [1] |
| JUV | YGC Elevator Modernization, Air Exchange & Exhaust Fans | 1,476,000 [1] |
| REC | RP ADA TPC Harding Park | 900,000 |
| SHF | 425 7th St Roof Replacement & Building Management System | 4,825,000 [2] |
| WAR | Davies Hall Elevator Modernization | 2,200,000 |
| - | Cost Overrun Contingency | 1,504,522 [1] |
| Subtotal Critical Repairs COPs | | $50,000,000 |

**Recovery Stimulus Projects – FY23 COPs**

| Department | Project | Amount |
|---|---|---|
| ART | MCCLA - Seismic Retrofit | $9,580,000 |
| DPH | LHH - Simon Cooling Center | 975,000 |
| DPW | Innes Ave Rebuild in Bayview Hunters Point | 5,000,000 |
| DPW | Japantown Buchanan Mall Improvements Project | 2,000,000 |
| DPW | Street Tree Planting & Establishment - Equity Priority Neighborhoods | 2,000,000 |
| DPW | Sunset Blvd Hosebib Installation | 935,000 [1] |
| DPW | Sunset Boulevard Recycled Water Irrigation Improvements | 1,200,000 [1] |
| TIS | DT Fiber to Public Housing | 2,500,000 |
| TIS | Opera House Roof Replacement | 5,000,000 |
| Subtotal Recovery Stimulus COPs | | $29,190,000 |

**Street Resurfacing – FY23 COPs**

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing & Reconstruction | $30,000,000 |

| | |
|---|---|
| Total FY23 COPs | $109,190,000 |

[1]Amounts were adjusted during the FY2023-24 budget cycle, as further described below.
[2]Amounts are proposed to be adjusted during FY2025-26 budget cycle, as further described below.

# CHANGES TO FY22 COPS & FY23 COPS PROGRAMS

During the FY2023-24 budget cycle, several projects with previously authorized funding through the FY22 and FY23 Critical Repairs and Recovery Stimulus COP programs received funding through the City's Pay-Go (General Fund) program. In exchange, $8,838,751 of Pay-Go funding associated with the MCCLA Seismic Retrofit was swapped to COP funding. Please see the affected projects in the tables below.

### Projects Changed to Pay-Go Funding (General Fund)

| Department | Project | Amount |
|---|---|---|
| ART | AAACC - Seismic Cost Escalation | $1,340,000 |
| ADM | 1099 Sunnydale - Boiler | 400,000 |
| DPW | Lakeview and Lee Steps | 500,000 |
| DPW | Operations Yard Tenant Improvements & HVAC | 2,580,751 |
| DPW | Sunset Blvd Hosebib Installation | 935,000 |
| DPW | Sunset Boulevard Recycled Water Irrigation Improvements | 1,200,000 |
| JUV | YGC Air Exchange & Exhaust Fans | 476,000 |
| SHF | County Jail 2 Elevators & Fire Safety Systems | 1,407,000 |
| Total previously part of Critical Repairs and Recovery Stimulus COPs | | $8,838,751 |

### Projects Changed to COP Funding

| Department | Project | Amount |
|---|---|---|
| ART | MCCLA - Seismic Retrofit | $8,838,751 |

During the FY2023-24 budget cycle, $5,093,822 was de-appropriated from previous programs, as shown in the table below.

### De-Appropriated Projects

| Department | Project | Amount |
|---|---|---|
| ADM | 2022 Critical Repairs ADM Contingency | $89,300 |
| ADM | 2022 Recovery Stimulus ADM Contingency | 2,000,000 |
| ADM | 2023 Critical Repairs Cost Overrun Contingency | 1,504,522 |
| DPH | 2022 ZSFG New Childcare Center | 1,500,000 |
| Total removed from Critical Repairs and Recovery Stimulus COPs | | $5,093,822 |

As part of the FY2025-26 budget cycle, $2,000,000 of the previous $4,825,000 total appropriation for the FY23 Critical Repairs Project of 425 7th St Roof Replacement & Building Management is proposed to be reappropriated to the FY22 Critical Repairs Project of County Jail 2 Elevators & Fire Safety Systems (the "CJ2 Project"). The proposed new appropriation for the CJ2 Project would be $6,000,000 after the prior adjustment made to the CJ2 Project during the FY2023-24 budget cycle, described above.

# FY24 COPS: CRITICAL REPAIRS AND STREET RESURFACING PROJECTS

### Critical Repairs Projects – FY24 COPs

| Department | Project | Amount |
|---|---|---|
| ADM | HOJ Roof Replacement | $5,000,000 |
| ADM | City Hall – Elevator Modernization | 3,000,000 |
| ART | MCCLA Roof Diaphragm (Seismic) | 3,200,000 |
| DPH | LHH Water Tank Replacement | 4,100,000 |
| JUV | Elevator Modernization | 1,750,000 |
| WAR | Opera House Roof Replacement | 7,000,000 |
| WAR | Opera House Elevator Modernization | 1,300,000 |
| DPW | Elevator Program Contingency | 250,000 |
| Subtotal Critical Repairs COPs | | $25,600,000 |

### Street Resurfacing – FY24 COPs

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing & Reconstruction | $32,800,000 |
| Total FY24 COPs | | $58,400,000 |

# FY25 COPS: CRITICAL REPAIRS AND STREET RESURFACING PROJECTS

### Critical Repairs Projects – FY25 COPs

| Department | Project | Amount |
|---|---|---|
| DPW | Sunset Blvd. Recycled Water | $2,900,000 |
| DPW | Bridge Inspection and Repair | 2,500,000 |
| ADM | Underground Fuel Tank Replacement at HOJ | 11,134,783 |
| ADM | 25 Van Ness Heat Pump and Cooling Tower | 2,300,000 |
| ADM | 50 Raymond Repairs | 1,300,000 |
| SHF | San Bruno County Water Line Replacement | 1,000,000 |
| Subtotal Critical Repairs COPs | | $21,134,783 |

### Street Resurfacing – FY25 COPs

| Department | Project | Amount |
|---|---|---|
| DPW | Street Resurfacing & Reconstruction | $23,865,217 |
| Total FY25 COPs | | $45,000,000 |

OFFICE OF THE MAYOR
SAN FRANCISCO

DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: Authorizing Tax-Exempt and/or Taxable Certificates of Participation - (Multiple Capital Improvement Projects) – Not-to-Exceed $65,000,00
DATE: July 22, 2025

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Ordinance authorizing the execution and delivery from time to time of tax-exempt or taxable Certificates of Participation, in one or more series, evidencing and representing an aggregate principal amount of not-to-exceed $65,000,000 ("Certificates"), to finance and refinance certain capital improvement projects within the City and County of San Francisco's ("City") contained in the Capital Plan and generally consisting of street resurfacing and curb ramp improvements; approving the form of a Supplement to Trust Agreement between the City and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee") (including certain indemnities contained therein); approving respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and the Trustee, for the lease to the Trustee and lease back to the City of all or a portion of certain real property and improvements owned by the City, together with any other property determined by the City's Director of Public Finance to be made subject to the lease and lease back arrangements; approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates; approving the form of an Official Statement in preliminary and final form; approving the form of a purchase contract between the City and one or more initial purchasers of the Certificates; approving the form of a Continuing Disclosure Certificate, as defined herein; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of the Certificates; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141