File No. 241171 **Committee Item No.** 10
Board Item No. 7

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date** January 22, 2025
Board of Supervisors Meeting **Date** January 28, 2025

Cmte Board

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Completed by: Brent Jalipa **Date** January 16, 2025
Completed by: Brent Jalipa **Date** January 23, 2025

[Sale of Taxable General Obligation Bonds (Affordable Housing, 2016 - Preservation and Seismic Safety), Series 2025E - Not to Exceed $40,000,000]

Resolution authorizing the issuance and sale of not to exceed $40,000,000 aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 - Preservation and Seismic Safety), Series 2025E; prescribing the form and terms of said bonds; providing for the appointment of depositories and other agents of said bonds; providing for the establishment of accounts related to said bonds; authorizing the sale of said bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and the Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of said bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to said documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein.

WHEREAS, By Ordinance No. 217-92, adopted by the Board of Supervisors (“Board of Supervisors”) of the City and County of San Francisco (“City”) on July 13, 1992 (“1992 Bond Ordinance”), the Board of Supervisors duly called a special election to be held on November 3, 1992, for the purpose of submitting to the electors of the City a proposition to incur bonded indebtedness of the City in the amount of up to $350,000,000 of general obligation bonds to establish a seismic safety loan program (“Loan Program”) to provide loans for seismic strengthening of unreinforced masonry buildings; and

WHEREAS, A special election was held in the City on November 3, 1992 ("Proposition A Bond Election"), for the purpose of submitting to the qualified voters of the City said proposition, denominated as Proposition A ("Proposition A"), as follows:

"EARTHQUAKE LOAN BOND PROGRAM, 1992. To incur a bonded indebtedness of $350,000,000 to provide loans for the seismic strengthening of unreinforced masonry buildings devoted to affordable housing and to market-rate residential, commercial and institutional uses and to pay necessary administrative costs incidental thereto"; and

WHEREAS, Such proposition was approved by two-thirds of the qualified electors of the City voting on such proposition; and

WHEREAS, Proposition A allocated $150,000,000 to make loans for affordable housing buildings ("Affordable Housing Loan Program") and $200,000,000 to make loans for market rate residential, commercial and institutional buildings ("Market Rate Loan Program" and, together with the Affordable Housing Loan Program, "Programs"); and

WHEREAS, By Resolution No. 311-16, adopted by the Board of Supervisors on July 19, 2016, it was determined and declared that it was in the public interest to access the remaining bonding authority under the Programs and expand the permitted uses for which funds could be loaned to finance the costs to acquire, improve and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing by amending Proposition A; and

WHEREAS, By Ordinance No. 136-16, adopted by the Board of Supervisors on July 26, 2016 ("2016 Bond Ordinance"), the Board of Supervisors duly called a special election to be held on November 8, 2016, for the purpose of submitting to the electors of the City a proposition to amend Proposition A to authorize the City to incur general obligation indebtedness for the purposes of providing loans to finance the costs to acquire, improve, rehabilitate and convert at-risk multi-unit residential buildings to permanent affordable housing, performing needed seismic, fire, health and safety upgrades and other major rehabilitation for habitability, and related costs necessary or convenient for the foregoing purposes; and

WHEREAS, A special election was held in the City on November 8, 2016 ("Proposition C Bond Election"), for the purpose of submitting to the qualified voters of the City said proposition, denominated as Proposition C ("Proposition C"), as follows:

"SAN FRANCISCO EARTHQUAKE LOAN AND HOUSING PRESERVATION BONDS, 1992. To amend 1992 voter approved measure Proposition A, to allow as an additional purpose the incurrence of bonded indebtedness to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing; shall the City and County of San Francisco issue up to $260,700,000 in general obligation bonds, subject to independent citizen oversight and regular audits?"; and

WHEREAS, By Resolution No. 34-19 ("Authorizing Resolution"), adopted by the Board of Supervisors on January 29, 2019, the City authorized the issuance of one or more series of bonds under Proposition C in the maximum aggregate principal amount of $260,684,550 ("Bonds"); and

WHEREAS, On February 28, 2019, the City issued a series of Bonds under the Authorizing Resolution captioned "City and County of San Francisco Taxable General Obligation Bonds (Social Bonds - Affordable Housing, 2016), Series 2019A" in the original aggregate principal amount of $72,420,000 ("Series 2019A Bonds"); and

WHEREAS, Following the issuance of the Series 2019A Bonds, the remaining authorized but unissued bonding authority under Proposition C was $188,264,550; and

WHEREAS, By Resolution No. 449-20 ("2020 Resolution"), adopted by the Board of Supervisors on October 6, 2020, and by the Authorizing Resolution, the City authorized the issuance and sale of one or more series of bonds under Proposition C in the maximum aggregate principal amount of $102,580,000; and

WHEREAS, On December 8, 2020, the City issued and sold a series of Bonds under the Authorizing Resolution and the 2020 Resolution captioned “City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety), Series 2020C” in the original aggregate principal amount of $102,580,000 (“Series 2020C Bonds”); and

WHEREAS, To date, the City has issued $71,145,819 in bonded indebtedness to provide loans to private parties under the Affordable Housing Loan Program and $103,854,181 in bonded indebtedness to provide loans to private parties under the Market Rate Loan Program; and

WHEREAS, Following the issuance of the Series 2020C Bonds (and the making of the loans under the Programs, as described above), the remaining authorized but unissued bonding authority under Proposition C was $85,684,550; and

WHEREAS, It is necessary and desirable to issue one or more additional series of Bonds on a taxable basis in an aggregate principal amount not to exceed $40,000,000 (“Series 2025E Bonds”) to provide funds to make loans, the proceeds of which will finance a portion of the costs of projects for the additional purposes authorized by Proposition C; and

WHEREAS, The Series 2025E Bonds are being issued pursuant to the Authorizing Resolution, this Resolution, Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code (“Government Code”), the Charter of the City (“Charter”), the 2016 Bond Ordinance and the Proposition C Bond Election; and

WHEREAS, In accordance with Government Code, Section 5852.1, the Board has obtained and disclosed the information required thereby, as more fully set forth in the staff report prepared by the Controller’s Office of Public Finance (“Staff Report”); and

WHEREAS, Pursuant to the applicable provisions of the San Francisco Administrative Code ("Administrative Code"), Sections 5.30-5.36, the Citizens' General Obligation Bond Oversight Committee shall conduct an annual review of bond spending and shall provide an annual report on the management of the program to the Mayor and the Board of Supervisors, and, to the extent permitted by law, one-tenth of one percent (0.1%) of the gross proceeds of the Series 2025E Bonds shall be deposited in a fund established by the Office of the City Controller ("Controller") and appropriated by the Board of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such Committee and its review process; now, therefore, be it

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

Section 1. Recitals. All of the recitals in this Resolution are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance of the Series 2025E Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to the Proposition C Bond Election, the Authorizing Resolution, the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution.

Section 3. Documents. The documents presented to the Board of Supervisors and on file with the Clerk of the Board of Supervisors or designee thereof ("Clerk of the Board of Supervisors") are contained in File No. 241171.

Section 4. Issuance and Sale of Series 2025E Bonds; Determination of Certain Terms; Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed $40,000,000 in aggregate principal amount of Bonds to be designated as "City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety), Series 2025E," for the purposes set forth in the 2016 Bond Ordinance and Proposition A, approved by the voters at the Proposition A Bond Election, as amended by Proposition C, approved by the voters at the Proposition C Bond Election. Prior to issuance, the Series 2025E Bonds may be subdivided into more than one series. For purposes of this Resolution, all of such subdivided series in the aggregate are referred to herein as the "Series 2025E Bonds."

The Director of Public Finance of the City ("Director of Public Finance") or the Controller or any designee of either (each, an "Authorized Officer") are authorized to determine, for the Series 2025E Bonds, the sale date, the interest rates, the definitive principal amounts, the maturity dates and the redemption dates, if any, and the terms (including any premium terms) of any optional or mandatory redemption, subject to the other specific provisions of this Resolution, including the following terms and conditions: (a) the Series 2025E Bonds shall not have a true interest cost (as such term is defined in the Official Notice of Sale (as defined in Section 14) for the Series 2025E Bonds) in excess of 12%; and (b) the Series 2025E Bonds shall not have a final maturity date more than 40 years from their date of issuance. The Director of Public Finance is further authorized to give the Series 2025E Bonds, including each subdivided series thereof, such additional or other series designation, or to modify such series designation, as may be necessary or appropriate to distinguish the Series 2025E Bonds from every other series of Bonds and from other bonds issued by the City, and otherwise as permitted by the Authorizing Resolution.

Section 5. Authentication and Registration of the Series 2025E Bonds. Each of the Series 2025E Bonds shall be in fully registered form without coupons in denominations of $5,000 or any integral multiple of that amount. The officers of the City are directed to cause the Series 2025E Bonds to be prepared in sufficient quantity for delivery to or for the account of their purchaser and the Director of Public Finance is directed to cause the blanks in the Series 2025E Bonds to be completed in accordance with the Authorizing Resolution, the Official Statement, and the Bond Award or Bond Purchase Contract (as defined below), as applicable, to procure their execution by the proper officers of the City (including by electronic or facsimile signature if necessary or convenient, except that any signature for the Clerk of the Board of Supervisors shall be required to be by manual signature) and authentication as provided in this Section 5, and to deliver the Series 2025E Bonds when so executed and authenticated to said purchaser in exchange for their purchase price, all in accordance with the Authorizing Resolution.

The Series 2025E Bonds and the certificate of authentication and registration, to be manually executed by the Treasurer of the City or designee thereof ("City Treasurer"), and the form of assignment to appear on the Series 2025E Bonds shall be substantially in the form attached as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and which is declared to be a part of this Resolution as if fully set forth in this Resolution), with necessary or appropriate variations, omissions and insertions as permitted or required by this Resolution, the Official Statement and the Bond Award or the Bond Purchase Contract, as applicable.

Only Series 2025E Bonds bearing a certificate of authentication and registration executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the benefits of the Authorizing Resolution and this Resolution, and such certificate of the City Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the Series 2025E Bonds so authenticated have been duly authenticated and delivered under, and are entitled to the benefits of, the Authorizing Resolution and this Resolution.

The Controller shall assign a distinctive letter, or number, or letter and number to each Series 2025E Bond authenticated and registered by the City Treasurer and shall maintain a record thereof which shall be available for inspection.

Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at the office of the City Treasurer or at the designated office of any registrar appointed by the City Treasurer, separate and sufficient books for the registration and transfer of Series 2025E Bonds, which books shall at all times be open to inspection, and upon presentation for such purpose, the City Treasurer shall, under such reasonable regulations as the City Treasurer may prescribe, register or transfer or cause to be registered or transferred, on said books, Series 2025E Bonds as provided in this Resolution. The City and the City Treasurer may treat the registered owner of each Series 2025E Bond as its absolute owner for all purposes, and the City and the City Treasurer shall not be affected by any notice to the contrary.

Section 7. Transfer or Exchange of Series 2025E Bonds. Any Series 2025E Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 6 hereof, by the person in whose name it is registered, in person or by the duly authorized attorney of such person in writing, upon surrender of such Series 2025E Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the City Treasurer.

Any Series 2025E Bond may be exchanged at the office of the City Treasurer for a like aggregate principal amount of other authorized denominations of the same interest rate and maturity.

Whenever any Series 2025E Bond shall be surrendered for transfer or exchange, the designated City officials shall execute (as provided in Section 5 hereof) and the City Treasurer shall authenticate and deliver a new Series 2025E Bond of the same interest rate and maturity in a like aggregate principal amount. The City Treasurer shall require the payment by any Bond owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfer or exchange of Series of 2025E Bonds shall be required to be made by the City Treasurer during the period from the Record Date (as defined in Section 8(b) hereof) next preceding each interest payment date to such interest payment date or after a notice of redemption shall have been mailed with respect to such Series 2025E Bonds.

Section 8. Terms of the Series 2025E Bonds; General Redemption Provisions.

(a) Date of the Series 2025E Bonds. The Series 2025E Bonds shall be dated the date of their delivery or such other date ("Dated Date") as is specified in the Bond Award or the Bond Purchase Contract.

(b) Payment of the Series 2025E Bonds. The principal of the Series 2025E Bonds shall be payable in lawful money of the United States of America to their owners, upon surrender at maturity or earlier redemption at the office of the City Treasurer. The interest on the Series 2025E Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the City Treasurer as the owner as of the close of business on the last day of the month immediately preceding an interest payment date ("Record Date"), whether or not such day is a Business Day (as defined below).

Except as may be otherwise provided in connection with any book-entry only system applicable to the Series 2025E Bonds, payment of the interest on any Series 2025E Bond shall be made by check mailed on the interest payment date to such owner at such owner's address as it appears on the registration books as of the Record Date; provided, that if any interest payment date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (each, a "Business Day"); and provided, further, that the registered owner of an aggregate principal amount of at least $1,000,000 of Series 2025E Bonds may submit a written request to the City Treasurer on or before a Record Date preceding an interest payment date for payment of interest on the next succeeding interest payment date and thereafter by wire transfer to a commercial bank located within the United States of America.

For so long as any Series 2025E Bonds are held in book-entry form by a securities depository selected by the City pursuant to Section 11 hereof, payment shall be made to the registered owner of the Series 2025E Bonds designated by such securities depository by wire transfer of immediately available funds.

(c) Interest on the Series 2025E Bonds. The Series 2025E Bonds shall bear interest at rates to be determined upon the sale of the Series 2025E Bonds, calculated on the basis of a 360-day year comprised of twelve 30-day months, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2025 (or such other date or dates as may be designated in the Bond Award or the Bond Purchase Contract, as defined hereinbelow). Each Series 2025E Bond shall bear interest from the interest payment date next preceding the date of its authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date; provided, that if, at the time of authentication of any Series 2025E Bond, interest is in default on the Series 2025E Bonds, such Series 2025E Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Series 2025E Bonds or from the Dated Date if the first interest payment is not made.

(d) Optional Redemption. The Series 2025E Bonds shall be subject to optional redemption prior to maturity as provided in the Official Statement (as defined hereinbelow).

(e) Mandatory Redemption. The Series 2025E Bonds shall be subject to mandatory redemption as provided in the Official Statement (as defined hereinbelow).

The principal of and interest on the Series 2025E Bonds subject to mandatory redemption shall be paid from the Series 2025E Bond Subaccount established in Section 9 hereof, pursuant to such Section 9. In lieu of any such mandatory redemption for Series 2025E Bonds, at any time prior to the selection of Series 2025E Bonds for mandatory redemption, the City may apply amounts on deposit in the Series 2025E Bond Subaccount to make such payment to the purchase, at public or private sale, of Series 2025E Bonds subject to such mandatory redemption, and when and at such prices not in excess of the principal amount thereof (including sales commission and other charges but excluding accrued interest), as the City may determine.

(f) Selection of Series 2025E Bonds for Redemption. Whenever less than all of the outstanding Series 2025E Bonds are called for redemption on any date, the Director of Public Finance will select the maturities of the Series 2025E Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding Series 2025E Bonds maturing on any one date are called for redemption, the manner of selection of the portion of such Series 2025E Bonds called for redemption shall be as specified in the Official Statement for the Series 2025E Bonds.

(g) Notice of Redemption. The date on which Series 2025E Bonds that are called for redemption are to be presented for redemption is called the "Redemption Date."

The City Treasurer shall mail, or cause to be mailed, notice of any redemption of Series 2025E Bonds, postage prepaid, to the respective registered owners at the addresses appearing on the bond registration books not less than twenty (20) nor more than sixty (60) days prior to the Redemption Date. The notice of redemption shall (i) state the Redemption Date; (ii) state the redemption price; (iii) state the maturity dates of the Series 2025E Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Series 2025E Bonds of such maturity to be redeemed, and in the case of any Series 2025E Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (iv) state the CUSIP number, if any, of each Series 2025E Bond to be redeemed; (v) require that such Series 2025E Bonds be surrendered by the owners at the office of the City Treasurer or the City Treasurer's agent; and (vi) give notice that interest on such Series 2025E Bond or portion of Series 2025E Bond to be redeemed will cease to accrue after the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds or other event specified in the notice of redemption as provided in subsection (j) of this Section 8.

The actual receipt by the owner of any Series 2025E Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in such notice so mailed, shall not affect the validity of the proceedings for the redemption of such Series 2025E Bonds or the cessation of accrual of interest on such Series 2025E Bonds on the Redemption Date.

Notice of redemption also shall be given, or caused to be given by the City Treasurer, by (A) registered or certified mail, postage prepaid, (B) confirmed facsimile transmission, (C) overnight delivery service, or (D) to the extent acceptable to the intended recipient, email or similar electronic means, to (1) all organizations registered with the Securities and Exchange Commission as securities depositories and (2) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate described in Section 19 hereof.

The notice or notices required for redemption of any Series 2025E Bond shall be given by the City Treasurer or any agent appointed by the City. A certificate of the City Treasurer or such other appointed agent of the City that notice of redemption has been given to the owner of any Series 2025E Bond to be redeemed in accordance with this Resolution shall be conclusive against all parties.

(h) Series 2025E Redemption Account. At the time the Director of Public Finance determines to optionally call and redeem any of the Series 2025E Bonds, the Controller or the Controller's agent shall establish a redemption account to be described or known as the "General Obligation Bonds, Taxable Series 2025E Redemption Account" ("Series 2025E Redemption Account"), and prior to or on the Redemption Date there must be set aside in the Series 2025E Redemption Account moneys available for the purpose and sufficient to redeem, as provided in this Resolution, the Series 2025E Bonds designated in said notice of redemption, subject to the provisions of subsection (j) of this Section 8. Said moneys must be set aside in the Series 2025E Redemption Account solely for the purpose of, and shall be applied on or after the Redemption Date to, payment of the redemption price of the Series 2025E Bonds to be redeemed upon presentation and surrender of such Series 2025E Bonds. Any interest due on or prior to the Redemption Date may be paid from the Series 2025E Bond Subaccount as provided in Section 9 hereof or from the Series 2025E Redemption Account. Moneys held from time to time in the Series 2025E Redemption Account shall be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the general fund ("General Fund") of the City. If, after all of the Series 2025E Bonds have been redeemed and canceled or paid and canceled, there are moneys remaining in the

Series 2025E Redemption Account, said moneys shall be transferred to the General Fund of the City or to such other fund or account as required by applicable law; provided, that if said moneys are part of the proceeds of refunding bonds, said moneys shall be transferred pursuant to the resolution authorizing such refunding bonds.

(i) Effect of Redemption. When notice of optional redemption has been given substantially as provided in this Resolution, and when the amount necessary for the redemption of the Series 2025E Bonds called for redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set aside for that purpose in the Series 2025E Redemption Account or the Series 2025E Bond Subaccount, the Series 2025E Bonds designated for redemption shall become due and payable on the Redemption Date, and upon presentation and surrender of said Series 2025E Bonds at the place specified in the notice of redemption, such Series 2025E Bonds shall be redeemed and paid at said redemption price out of said Series 2025E Redemption Account. After the Redemption Date, no interest will accrue on such Series 2025E Bonds called for redemption, and the registered owners of such Series 2025E Bonds shall look only to the Series 2025E Redemption Account for payment of such Series 2025E Bonds. All Series 2025E Bonds redeemed shall be canceled immediately by the City Treasurer and shall not be reissued.

(j) Conditional Notice of Redemption; Rescission of Redemption. Any notice of optional redemption given as provided in Section 8(g) may provide that such redemption is conditioned upon: (i) deposit in the Series 2025E Redemption Account of sufficient moneys to redeem the Series 2025E Bonds called for optional redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. If conditional notice of redemption has been given substantially as provided in this subsection (j), and on the scheduled Redemption Date (A) sufficient moneys to redeem the Series 2025E Bonds called for optional redemption on the Redemption Date have not been deposited in the Series 2025E Redemption Account, or (B) any other event specified in the notice of redemption as a condition to the redemption has not occurred, then (1) the Series 2025E Bonds for which conditional notice of redemption was given shall not be redeemed on the anticipated Redemption Date and shall remain outstanding for all purposes of this Resolution, and (2) the redemption not occurring shall not constitute a default under this Resolution or the Authorizing Resolution.

The City may rescind any optional redemption and notice of it for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the owners of all Series 2025E Bonds so called for redemption. Notice of any such rescission of redemption shall be given in the same manner notice of redemption was originally given. The actual receipt by the owner of any Series 2025E Bond of notice of such rescission shall not be a condition precedent to rescission, and the failure to receive such notice or any defect in such notice so mailed shall not affect the validity of the rescission.

Section 9. Series 2025E Bond Subaccount. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Prop A, 1992/Prop C, 2016) Bond Account ("Bond Account") created pursuant to the Authorizing Resolution to be designated as the "Taxable General Obligation Bonds, Series 2025E Bond Subaccount" ("Series 2025E Bond Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2025E Bond Subaccount shall be retained in the Series 2025E Bond Subaccount.

Amounts deposited in the Series 2025E Bond Subaccount pursuant to clause (a) of Section 17 hereof, representing capitalized interest on the Bonds, if any, shall be used to make interest payments on the Bonds through and including June 15, 2025, or such other date, if any, as may be provided in the Official Statement.

On or prior to the date on which any payment of principal of or interest on the Series 2025E Bonds is due, including any Series 2025E Bonds subject to mandatory redemption on said date, the City Treasurer shall allocate to and deposit in the Series 2025E Bond Subaccount, first from amounts held in the Program Revenues Subaccount of the Bond Account (which Program Revenues Subaccount was established under the Authorizing Resolution), until such subaccount is exhausted, and second, from amounts held in the Tax Revenues Subaccount of the Bond Account (which Tax Revenues Subaccount was established under the Authorizing Resolution), an aggregate amount which, when added to any available moneys contained in the Series 2025E Bond Subaccount, is sufficient to pay principal of and interest on the Series 2025E Bonds on such date.

On or prior to the date on which any Series 2025E Bonds are to be redeemed at the option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit in the Series 2025E Redemption Account, from amounts held in the Bond Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when added to any available moneys contained in the Series 2025E Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Series 2025E Bonds on such date. The City Treasurer may make such other provision for the payment of principal and interest and any redemption premium on the Series 2025E Bonds as is necessary or convenient to permit the optional redemption of the Series 2025E Bonds.

Amounts in the Series 2025E Bond Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2025E Bond

Subaccount with other City moneys or (ii) deposit amounts credited to the Series 2025E Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2025E Bond Subaccount shall be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer.

Section 10. Series 2025E Project Subaccount. There is established with the City Treasurer a special subaccount in the General Obligation Bonds (Prop A, 1992/Prop C, 2016) Project Account ("Project Account") created pursuant to the Authorizing Resolution to be designated the "Taxable General Obligation Bonds, Series 2025E Project Subaccount" ("Series 2025E Project Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2025E Project Subaccount shall be retained in the Series 2025E Project Subaccount. Amounts in the Series 2025E Project Subaccount shall be expended in accordance with the provisions of the Authorizing Resolution for the acquisition, construction or reconstruction of the Project (as defined in the Authorizing Resolution).

Amounts in the Series 2025E Project Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2025E Project Subaccount with other City moneys or (ii) deposit amounts credited to the Series 2025E Project Subaccount into a separate fund or funds for investment purposes only; provided, that all moneys held in the Series 2025E Project Subaccount (including interest earnings) shall be accounted for separately, notwithstanding any such comingling or separate deposit by the City Treasurer.

The City Treasurer is authorized to pay or cause to be paid from the proceeds of the Series 2025E Bonds, on behalf of the City, the costs of issuance associated with the

Series 2025E Bonds. Costs of issuance of the Series 2025E Bonds shall include, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, the fees and expenses of paying agents, registrars, financial consultants, disclosure counsel and co-bond counsel, and the reimbursement of departmental expenses in connection with the issuance of the Series 2025E Bonds.

Section 11. Appointment of Depositories and Other Agents. The City Treasurer is authorized and directed to appoint one or more depositories as the City Treasurer may deem desirable and to modify as necessary the procedures set forth in Section 5, Section 6, Section 7 and Section 8 hereof relating to registration of ownership of the Series 2025E Bonds. Procedures for payments of and the issuance of redemption notices to owners of the Series 2025E Bonds may be modified to comply with the policies and procedures of such depository. The City will not have any responsibility or obligation to any purchaser of a beneficial ownership interest in any Series 2025E Bonds or to any participants in such a depository with respect to (a) the accuracy of any records maintained by such depository or any participant therein; (b) any notice that is permitted or required to be given to the owners of Series 2025E Bonds under this Resolution; (c) the selection by such depository or any participant therein of any person to receive payment in the event of a partial redemption of Series 2025E Bonds; (d) the payment by such depository or any participant therein of any amount with respect to the principal or redemption premium, if any, or interest due with respect to Series 2025E Bonds; (e) any consent given or other action taken by such depository as the owner of Series 2025E Bonds; or (f) any other matter.

The Depository Trust Company (“DTC”) is appointed as depository for the Series 2025E Bonds. The Series 2025E Bonds shall be initially issued in book-entry form. Upon initial issuance, the ownership of each Series 2025E Bond shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. So long as each Series 2025E Bond is registered in book-entry form, each Series 2025E Bond shall be registered in the name of Cede & Co. or in the name of such successor nominee as may be designated from time to time by DTC or any successor as depository.

The City Treasurer is also authorized and directed to appoint one or more agents as the City Treasurer may deem necessary or desirable. To the extent permitted by applicable law and under the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent, rebate calculation agent, escrow agent or registrar for the Series 2025E Bonds or may assist the City Treasurer in performing any or all of such functions and such other duties as the City Treasurer shall determine. Such agents shall serve under such terms and conditions as the City Treasurer shall determine. The City Treasurer may remove or replace agents appointed pursuant to this paragraph at any time.

Section 12. Defeasance Provisions. Payment of all or any portion of the Series 2025E Bonds may be provided for prior to such Series 2025E Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto), in a separate account not commingled with other moneys or securities held by the City Treasurer or such escrow agent:

(a) An amount of cash equal to the principal amount of all of such Series 2025E Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Series 2025E Bonds which are to be redeemed prior to such Series 2025E Bonds' respective stated maturities and in respect of which notice of such redemption shall have been given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and any premium due on such Redemption Date; or

(b) Defeasance Securities (as herein defined) not subject to call, except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts; together with interest earnings and cash, if required, as will be, without reinvestment and as certified by an independent certified public accountant, fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Series 2025E Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Series 2025E Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as provided in Section 8 hereof or an irrevocable election to give such notice shall have been made by the City; then, all obligations of the City with respect to said outstanding Series 2025E Bonds shall cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited pursuant to paragraphs (a) or (b) of this Section 12, to the owners of said Series 2025E Bonds all sums due with respect thereto; and provided further, that the City shall have received an opinion of nationally recognized bond counsel, that provision for the payment of said Series 2025E Bonds has been made in accordance with this Section 12.

For purposes of this Section 12, “Defeasance Securities” shall mean any of the following that at the time are legal investments under the laws of the State of California for the moneys proposed to be invested:

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

(2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (A) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their

calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (B) the municipal obligations are secured by cash and/or United States Obligations; (C) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the redemption account) are sufficient to meet the liabilities of the municipal obligations; (D) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (E) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (F) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by such Rating Agencies on such United States Obligations.

For purposes of this Section 12, “United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (“REFCORP”) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies, at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in clause (i) above.

For purposes of this Section 12, “Rating Agencies” means Moody’s Investors Service, Inc., Fitch Ratings, Inc. and S&P Global Ratings, or any other nationally recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise established after the date hereof.

Section 13. Sale of Series 2025E Bonds by Competitive or Negotiated Sale. The Board of Supervisors authorizes the sale of the Series 2025E Bonds by solicitation of competitive bids or by negotiated sale to one or more underwriters to be appointed in accordance with City policies, if so determined by the Director of Public Finance pursuant to Section 16 hereof.

Section 14. Official Notice of Sale; Receipt of Bids; Bond Award.

(a) Official Notice of Sale. The form of proposed Official Notice of Sale inviting bids for the Series 2025E Bonds ("Official Notice of Sale") submitted to the Board of Supervisors is approved and adopted as the Official Notice of Sale inviting bids for the Series 2025E Bonds, with such changes, additions and modifications as may be made in accordance with Section 20 hereof. The Director of Public Finance is authorized and directed to cause to be mailed or otherwise circulated to prospective bidders for the Series 2025E Bonds copies of the Official Notice of Sale, subject to such corrections, revisions or additions as may be acceptable to the Director of Public Finance.

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

(c) Bond Award. As provided in the Official Notice of Sale, the City may reject any and all bids received for any reason. The Authorized Officer is authorized to award the Series 2025E Bonds to the responsible bidder whose bid (a) is timely received and conforms to the Official Notice of Sale, except to the extent informalities and irregularities are waived by the City as permitted by the Official Notice of Sale, and (b) represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale. The award, if made, shall be set forth in a certificate signed by the

Authorized Officer setting forth the terms of the Series 2025E Bonds and the original purchasers (“Bond Award”). The Director of Public Finance shall provide a copy of the Bond Award, if such award is not signed by the Controller, as soon as practicable to the Controller; provided, that failure to provide such copy shall not affect the validity of the Bond Award.

Section 15. Publication of Notice of Intention to Sell Bonds. If the Series 2025E Bonds are sold through a solicitation of competitive bids, then the form of proposed Notice of Intention to Sell the Series 2025E Bonds (“Notice of Intention to Sell Bonds”) submitted to the Board of Supervisors is approved and adopted as the Notice of Intention to Sell the Series 2025E Bonds, and the Director of Public Finance is authorized and directed to cause the Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be made in accordance with Section 20 hereof, to be published once in The Bond Buyer or another financial publication generally circulated throughout the State of California meeting the requirements of Section 53692 of the Government Code at least five (5) days prior to the date fixed for receipt of bids for the Series 2025E Bonds, or as otherwise set forth in Section 53692 of the Government Code.

Section 16. Authorization of Negotiated Sale; Authorization to Select Underwriters; Form of Bond Purchase Contract Approval. The Authorized Officer is hereby authorized to conduct the sale of the Series 2025E Bonds by negotiated sale pursuant to one or more Bond Purchase Contracts (each, a “Bond Purchase Contract”), each by and between the City and the underwriter(s) named therein (“Underwriters”) or by and between the City and a placement agent named therein (“Placement Agent”), if the Controller determines that such manner of sale (negotiated or private placement) is in the best financial interest of the City (in accordance with criteria set forth in the City’s debt policy), such determination to be conclusively evidenced by the execution and delivery of such

Bond Purchase Contract as hereinafter approved. The form of such Bond Purchase Contract as presented to this Board of Supervisors, a copy of which is on file with the Clerk of the Board of Supervisors, is hereby approved. The Authorized Officer is hereby authorized to execute such Bond Purchase Contract with such changes, additions and modifications as the Authorized Officer may make or approve in accordance with Section 20 hereof (including such changes as may be required for a private placement); provided however, that the Underwriters' discount under any such Bond Purchase Contract shall not exceed 1.00% of the principal amount of the Series 2025E Bonds.

In order to facilitate the sale of the Series 2025E Bonds by negotiated sale, the Authorized Officer is hereby authorized and directed to appoint one or more financial institutions to act as underwriter or placement agent for the Series 2025E Bonds in accordance with City policies and procedures, including, but not limited to, the City's policy to provide locally disadvantaged minority business enterprises and women enterprises an equal opportunity to participate in the performance of all City contracts.

For purposes of Section 53508.9 of the Government Code, the Board hereby finds the following to be true and correct: (1) a negotiated sale of the Series 2025E Bonds may be in the best financial interest of the City if the Authorized Officer determines that the City would be able to obtain market and structuring advice from the underwriters and flexibility as to timing of sale and ability to premarket bonds; (2) the co-bond counsel to the City with respect to the Series 2025E Bonds shall be Squire Patton Boggs (US) LLP and Husch Blackwell LLP; (3) the underwriters with respect to a negotiated sale of the Series 2025E Bonds shall be disclosed at the public meeting first occurring after the underwriters have been selected; (4) the municipal advisor with respect to the Series 2025E Bonds shall be Public Resources Advisory Group, Inc.; and (5) the estimated costs of issuance of the Bonds shall be as set forth in the Staff Report.

Section 17. Disposition of Proceeds of Sale. The proceeds of sale of the Series 2025E Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any, shall be deposited into the Series 2025E Bond Subaccount; (b) premium, if any, shall be deposited into the Series 2025E Bond Subaccount; (c) amounts required to pay interest on the Series 2025E Bonds, if any, for a limited period (as may be set forth in the Official Statement), shall be deposited into the Series 2025E Bond Subaccount, and (d) remaining proceeds of sale shall be deposited into the Series 2025E Project Subaccount.

Section 18. Preliminary Official Statement and Official Statement. The form of proposed Preliminary Official Statement describing the Series 2025E Bonds ("Preliminary Official Statement") submitted to the Board of Supervisors is approved and adopted as the Preliminary Official Statement describing the Series 2025E Bonds, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20 hereof. The Authorized Officer is authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule"), and to sign a certificate to that effect. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed to prospective bidders for the Series 2025E Bonds the Preliminary Official Statement in substantially the form of the Preliminary Official Statement approved and adopted by this Resolution, as completed, supplemented, corrected or revised. The Authorized Officer is authorized and directed to approve, execute, and deliver the final Official Statement with respect to the Series 2025E Bonds ("Official Statement"), which final Official Statement shall be in the form of the Preliminary Official Statement, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20 hereof and as are permitted under the Rule. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed the final Official Statement to all actual initial purchasers of the Series 2025E Bonds.

Section 19. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate ("Continuing Disclosure Certificate"), to be signed by the City to permit the original purchasers of the Series 2025E Bonds to comply with the Rule, submitted to the Board of Supervisors is approved and adopted as the Continuing Disclosure Certificate, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance with Section 20 hereof. The Controller is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate(s) to the original purchasers of the Series 2025E Bonds.

Section 20. Modification to Documents. Any City official authorized by this Resolution to execute any document is further authorized, in consultation with the City Attorney and co-bond counsel, to approve and make such changes, additions, amendments or modifications to the document or documents such official is authorized to execute as may be necessary or advisable (provided, that such changes, additions, amendments or modifications shall not authorize an aggregate principal amount of Series 2025E Bonds in excess of $40,000,000 or conflict with the provisions of Section 4 hereof). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 21. Ratification. All actions previously taken by officials, employees and agents of the City with respect to the sale and issuance of the Series 2025E Bonds, consistent with any documents presented and this Resolution, are approved, confirmed and ratified.

Section 22. Relationship to Authorizing Resolution. In the event of any conflict between this Resolution and the Authorizing Resolution, the terms of this Resolution shall control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing Resolution, the City is not obligated to transfer money from the General Fund of the City to the Bond Account to pay the principal of or interest on the Series 2025E Bonds.

Section 23. Accountability Reports. The Series 2025E Bonds are subject to accountability requirements under the City's Administrative Code and the 2016 Bond Ordinance. The deadline for submission of the Accountability report(s) under Administrative Code, Sections 2.71(a) and 2.71(b) are hereby waived with respect to the Series 2025E Bonds. Accountability report(s) with respect to the Series 2025E Bonds shall be submitted in all other respects in the manner required by the Administrative Code and the 2016 Bond Ordinance.

Section 24. Citizens' Oversight Committee. The Series 2025E Bonds are subject to, and incorporate by reference, the applicable provisions of the San Francisco Administrative Code, Sections 5.30-5.36 ("Citizens' General Obligation Bond Oversight Committee"), and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of the Series 2025E Bonds shall be deposited into a fund established by the Controller's Office and appropriated by the Board of Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to cover the costs of such committee.

Section 25. CEQA Determination. The Board of Supervisors hereby reaffirms and incorporates by reference the CEQA findings and determinations set forth in the 2016

Bond Ordinance as if set forth in full herein. The use of bond proceeds to finance any project or portion of any project with Bond proceeds will be subject, as necessary, to approval of the Board of Supervisors upon completion of any planning and any further required environmental review under CEQA for the individual facilities and projects.

Section 26. General Authority. The Clerk of the Board of Supervisors, the Mayor, the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each authorized and directed in the name and on behalf of the City to take any and all steps and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents and other documents as may be necessary to give effect to the provisions of this Resolution, including but not limited to a private placement agreement and investor letter, and to letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2025E Bonds. Any such actions are solely intended to further the purposes of this Resolution, and are subject in all respects to the terms of this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within thirty (30) days (or as soon thereafter as final documents are available) of execution by all parties.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/ Kenneth D. Roux
KENNETH D. ROUX
Deputy City Attorney

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EXHIBIT A

FORM OF BOND

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE OF THIS BOND FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the Registered Owner hereof, Cede & Co., has an interest herein.

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

CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY),
SERIES 2025E

Interest Rate	Maturity Date	Dated Date	CUSIP Number
____%	June 15, 20__	_______, 2025	____________

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: ____

The City and County of San Francisco, State of California ("**City**"), acknowledges itself indebted to and promises to pay to the Registered Owner specified above or registered assigns, on the Maturity Date specified above, the Principal Amount of this Bond specified above in lawful money of the United States of America, and to pay interest on the Principal Amount in like lawful money from the Interest Payment Date (as defined below) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period from the last day of the month immediately preceding any Interest Payment Date ("**Record Date**") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before the Record Date preceding the first interest payment date, in which event it shall bear interest from its Dated Date (specified above) until payment of such Principal Amount, at the Interest Rate per year specified above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable semiannually on June 15 and December 15, in each year, commencing June 15, 2025 (each, an "**Interest Payment Date**"); *provided*, that if any Interest Payment Date occurs on a day that banks in California or New York are closed for business or the New York Stock Exchange is closed for business, then such payment shall be made on the next succeeding day that banks in both California and New York are open for business and the New York Stock Exchange is open for business (a "**Business Day**"). The Principal Amount of this Bond is payable to the Registered Owner of this Bond upon the surrender of this Bond at the office of the Treasurer of the City ("**City Treasurer**") in San Francisco, California. The interest on this Bond is payable to the person whose name appears on the Bond registration books of the City Treasurer as the Registered Owner of this Bond as of the close of business on the Record Date immediately preceding an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date to such Registered Owner at the owner's address as it appears on such registration books; provided, that the Registered Owner of Bonds in an aggregate principal amount of at least $1,000,000 may submit a written request to the City Treasurer on or before the Record Date preceding any Interest Payment Date for payment of interest by wire transfer to a commercial bank located in the United States of America.

This Bond is one of a duly authorized issue of City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety) Series 2025E ("**Bonds**") of like tenor (except for such variations, if any, as may be required to designate varying numbers, denominations, interest rates and maturities), in the aggregate principal amount of $[__________], which is part of a bond authorization in the aggregate original principal amount of $260,684,550 authorized by the affirmative votes of more than two-thirds of the voters voting at a special election duly and legally called, held and conducted in the City on November 8, 2016, and is issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of the State of California, the Charter of the City and two resolutions adopted by the Board of Supervisors of the City ("**Board of Supervisors**") on January 29, 2019 and [_______ __], 2025 (collectively, [and together with the related Bond Award,] the "**Resolutions**"). Any capitalized term used in this Bond and not defined herein is defined as provided in the Resolutions.

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

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

The City Treasurer will not be required to exchange or register the transfer of this Bond during the period (a) from the Record Date next preceding each Interest Payment Date to such Interest Payment Date or (b) after a notice of redemption shall have been mailed with respect to such Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

____

Mayor of the
City and County of San Francisco

Countersigned:

____

Clerk of the Board of Supervisors

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

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

Date of Authentication: ____________

____

Treasurer of the
City and County of San Francisco

ASSIGNMENT

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

____

____

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

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

Dated:

____

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

Signature Guaranteed:

____

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

Items 9 & 10 Files 24-1170, 24-1171	Department: Controller's Office, Mayor's Office of Housing and Community Development

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution (File 24-1171) would authorize the issuance and sale of not to exceed $40,000,000 in Taxable General Obligation Bonds (Series 2025E) and approve associated transaction documents. The proposed ordinance (File 24-1170) would appropriate $40,000,000 of Series 2025E bond proceeds to the Mayor's Office of Housing and Community Development (MOHCD) to acquire, improve and rehabilitate, and to convert residential buildings to permanent affordable housing, and placing these funds on Controller's Reserve pending the sale of General Obligation Bonds in FY 2024-25.

Key Points

- In 1992, San Francisco voters approved Proposition A, which authorized $350 million of general obligation bonds to provide loans for seismic improvements of buildings. In 2016, San Francisco voters approved Proposition C, which amended this authorization to add the eligibility to finance the cost to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to affordable housing and to perform needed safety upgrades for habitability. The program is now known as the Preservation and Seismic Safety (PASS) bond program and is administered by MOHCD. Of the $350 million bond authorization, $85,684,550 remains available for future bond issuances.
- MOHCD has announced two projects that would receive PASS financing from the proposed bond sale proceeds: (1) Larkin Pine Senior Housing (rehabilitation of 63 units, adding five units, and converting existing units from SROs to studios), and (2) 2901 16th Street (acquisition and rehabilitation of 55 studios, two SROs, and eight commercial units for affordable housing). MOHCD reports that additional loans are currently under negotiation.

Fiscal Impact

- Based on an estimated 6.88 percent true interest cost and an anticipated par amount of $38.3 million, the total debt service paid over the estimated 40-year term of the bonds is approximately $109.7 million, or approximately $2.7 million per year.
- OPF estimates that the increase in property tax rates from the bonds would range from $0.05 to $0.75 per $100,000 of assessed valuation over the 40-year term of the bonds.

Recommendations

- Amend the proposed ordinance in File 24-1170 to correctly state that the funds would be placed on Controller's Reserve pending the sale of general obligation bonds.
- Approve the proposed resolution and ordinance as amended.

MANDATE STATEMENT

City Charter Section 9.106 states that the Board of Supervisors approves the issuance of general obligation bonds. Section 9.106 also limits outstanding general obligation bond indebtedness to three percent of the assessed value of all taxable real and personal property located within the City.

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

BACKGROUND

In 1992, San Francisco voters approved Proposition A, which authorized $350 million of general obligation bonds for the Seismic Safety Loan Program (SSLP), to provide loans for seismic improvements of buildings. Of this amount, $150 million was allocated for affordable housing buildings and $200 million was allocated for commercial or other buildings.

In 2016, San Francisco voters approved Proposition C, which amended the Proposition A authorization to add the eligibility to finance the cost to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to affordable housing and to perform needed safety upgrades for habitability. The program is now known as the Preservation and Seismic Safety (PASS) bond program and is administered by the Mayor's Office of Housing and Community Development (MOHCD).

Under the PASS program, the City may provide loans at market rate or below market. Borrowers of below-market rate loans pay back the borrowed principal and one third of the City's interest cost, leaving a net impact to the property tax levy of two-thirds of the interest cost. Additionally, for $60 million of the $150 million allocated for below-market rate loans, repayment of principal and interest is deferred for up to 55 years, which increases the property tax levy in the short term. Borrowers of market rate loans pay back the borrowed principal with an interest rate one percent greater than the City's interest rate. MOHCD typically provides PASS loans to projects with both market rate and below market rate loan terms, which extends the below market rate lending pool to a broader set of borrowers while also providing them blended financing costs.

In February 2019, the Board of Supervisors approved the issuance and sale of $260,684,550 in general obligation bonds for the PASS program, which was the remaining financing authority available under Proposition A. Of this authorization, $175,000,000 in bonds have been issued to date, leaving $85,684,550 of the financing authority available for future bond issuances.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 24-1171) would authorize the issuance and sale of not to exceed $40,000,000 in taxable general obligation bonds (Series 2025E) and approve associated transaction documents. The proposed ordinance (File 24-1170) would appropriate $40,000,000 of Series 2025E general obligation bond proceeds to MOHCD to acquire, improve and rehabilitate, and convert at-risk multi-unit residential buildings to permanent affordable housing, and placing these funds on Controller's Reserve pending the receipt of general obligation bond proceeds in FY 2024-25.[1]

MOHCD has announced two projects that would receive PASS loans from the proposed bond sale proceeds:

- **Larkin Pine Senior Housing:** Rehabilitation project of 63 units of senior housing owned by Chinatown Community Development Center for seismic safety, adding five units, and converting existing units from single-room occupancy (SROs) to studios. Estimated PASS budget of $10,861,360.
- **2901 16th Street:** Acquisition and rehabilitation of 55 studios, two SROs, and eight commercial units by Mission Economic Development Agency for affordable housing. Estimated PASS budget of $9,509,000.

MOHCD reports that additional loans are currently under negotiation.

FISCAL IMPACT

The proposed legislation would authorize the issuance and sale of general obligation bonds in an amount not to exceed $40,000,000. The bond proceeds would be appropriated to MOHCD for the PASS program and placed on Controller's Reserve. The sources and uses of bond proceeds are shown in Exhibit 1 below.

Exhibit 1: Estimated Sources and Uses of Bond Proceeds

Sources	Amount
Estimated Par	$38,255,000
Reserve for Market Uncertainty	1,745,000
Total Sources	**$40,000,000**

Uses	Amount
Project Fund	$37,398,360
Cost of Issuance	627,110
General Obligation Bond Oversight Committee Fee (0.1% of Proceeds)	38,255
Underwriter's Discount	191,275
Reserve for Market Uncertainty	1,745,000
Total Uses	**$40,000,000**

Source: Office of Public Finance

Debt Service

The estimates above are based on good faith estimates provided to the Office of Public Finance (OPF) by Public Resources Advisory Group. Based on an estimated 6.88 percent true interest cost

[1] The proposed ordinance in File 24-1170 erroneously states that the funds would be placed on Controller's Reserve pending the sale of Certificates of Participation. The Budget and Legislative Analyst recommends correcting this error to state that the funds would be placed on Controller's Reserve pending the sale of general obligation bonds.

and an anticipated par amount of $38.3 million, the total debt service paid over the estimated 40-year term of the bonds is approximately $109.7 million, or approximately $2.7 million per year. OPF and MOHCD believe that a 40-year term most closely aligns with the loan repayment term. The bond maturity date would be approximately June 2065.

Property Tax Impact

Repayment of debt service on general obligation bonds is recovered by increases to the property tax rate. As noted above, borrowers of PASS loans for below-market rate loans pay back the borrowed principal and one third of the City's interest cost, leaving a net impact to the property tax levy of two-thirds of the interest cost. Borrowers of market rate loans pay back the borrowed principal with an interest rate one percent greater than the City's interest rate. OPF estimates that the increase in property tax rates from the bonds would range from $0.05 to $0.75 per $100,000 of assessed valuation over the anticipated 40-year term of the bonds. The owner of a property with an assessed valuation of $600,000, assuming a homeowner's exemption of $7,000, would pay additional property taxes ranging from $0.31 to $4.52 per year if the $38,255,000 in bonds are sold.

Debt Limit

Section 9.106 of the City Charter limits general obligation bond debt to three percent of the assessed value of the property in the City. As of November 1, 2024, the City had approximately $2.23 billion in outstanding aggregate principal amount of general obligation bonds, equal to approximately 0.63 percent of the net assessed valuation for FY 2024-25. If all of the City's authorized and unissued bonds were issued, the total general obligation bond debt would be 1.19 percent of the net assessed value in the City. If the proposed bond issuance is approved, the debt ratio would increase from 0.63 percent to approximately 0.65 percent.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued general obligation bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the general obligation bond fund was $120.13 per $100,000 of assessed value. If the proposed bond issuance is approved, the property tax rate for general obligation bonds for FY 2024-25 would be maintained below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATIONS

1. Amend the proposed ordinance in File 24-1170 to correctly state that the funds would be placed on Controller's Reserve pending the sale of general obligation bonds.
2. Approve the proposed resolution and ordinance as amended.

$[___]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

PURCHASE CONTRACT

[______], 2025

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

Ladies and Gentlemen:

The undersigned [Representative] ("Representative"), on its own behalf and as representative of [Underwriters] (collectively, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco ("City") to purchase the federally taxable general obligation bonds of the City captioned above (the "Bonds"), subject to the terms and conditions herein. Upon the acceptance of this offer by the City, this Purchase Contract ("Purchase Contract") will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Bonds is otherwise terminated pursuant to Section 10(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 11(b) hereof, and the City shall be free to sell the Bonds to any other party.

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

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

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of redemption, and bear interest at the rates per annum and have the yields all as set forth on **Schedule I** attached hereto. The purchase price for the Bonds shall be $[_____], calculated as the aggregate principal amount of the Bonds in the amount of $[_____], [plus original issue premium in the amount of $[____],] less Underwriters' Discount in the amount of $[_____].

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

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated [____], 2025 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the offering and sale of the Bonds by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Bonds dependent on such matters.

The City shall provide the Underwriters, within seven (7) business days after the date hereof (but in any event at least two (2) business days prior to the Closing Date (as hereinafter defined)) with a reasonable number of copies of the Official Statement, as requested by the Representative, for distribution 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 Bonds or as have been approved by the Representative (which approval shall not be unreasonably withheld). The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the MSRB on its Electronic Municipal Market Access ("EMMA") system in accordance with MSRB 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. The Bonds and City Documents. The Bonds shall be as described in and shall be issued and secured under the provisions of the following resolutions (collectively, the "Resolutions"):

- Resolution No. 34-19 entitled "Resolution providing for the issuance of not to exceed $260,684,550 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Proposition A, 1992/Proposition C, 2016); authorizing the issuance and sale of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines, and Administrative Code, Chapter 31; finding that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8), and with the General Plan consistency requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds, as defined therein," adopted by the Board of

Supervisors of the City (the "Board of Supervisors") on January 29, 2019, and duly approved by the Mayor of the City on February 1, 2019; and

- Resolution No. [____] entitled "Resolution authorizing the issuance and sale of not to exceed $40,000,000 aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 - Preservation and Seismic Safety), Series 2025E; prescribing the form and terms of said bonds; providing for the appointment of depositories and other agents of said bonds; providing for the establishment of accounts related to said bonds; authorizing the sale of said bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and the Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of said bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to said documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined therein" adopted by the Board of Supervisors on [____], and duly approved by the Mayor of the City on [____].

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

Section 5. Purpose of the Bonds. The Bonds are being issued for the purpose of providing funds, together with certain funds on hand, to (a) fund loans that finance the cost of the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (b) pay certain costs related to the issuance of the Bonds.

This Purchase Contract and the Continuing Disclosure Certificate (as hereinafter defined) are sometimes together referred to in this Purchase Contract as the "City Documents."

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

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

(b) As of the date thereof, the Preliminary Official Statement (except for information regarding The Depository Trust Company ("DTC") and its book-entry only system, as to which the City expresses no view) did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(c) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, 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, unless the Underwriters notify the City to the contrary on or prior to such date.

(d) If the Official Statement is supplemented or amended pursuant to Section 6(e), at the time of each supplement or amendment thereto and at all times subsequent thereto up to and including the Closing Date or the end of the underwriting period, as the case may be, the Official Statement as so supplemented or amended (except for information regarding DTC and its book-entry only system, as to which the City expresses no view) will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(e) If between the date of delivery of the Official Statement and the date that is twenty-five (25) days after the end of the underwriting period (i) any event occurs or any fact or condition becomes known to the City that might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Representative thereof, and (ii) if in the reasonable opinion of the City or the Representative such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Representative, which approval shall not be unreasonably withheld.

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

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

(h) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation with the Representative as may be reasonably requested (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Representative, and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

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

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction 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 the City Documents and the Resolutions have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(k) The financial statements of the City for the fiscal year ended June 30, 202[4], set forth as an Appendix to the Preliminary Official Statement and the Official Statement, fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Preliminary Official Statement and the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

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

(m) The City will undertake, pursuant to the Resolutions and a continuing disclosure certificate, to provide certain annual financial information and notices of the occurrence of certain 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 years.

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

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

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

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

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

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

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

Section 8. Offering. It shall be a condition to the City's obligations to sell and to deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase and to accept delivery of the Bonds that the entire $[____] principal amount of the Bonds shall be issued, sold and delivered by or at the direction of the City and purchased, accepted and paid for by the Underwriters at the Closing. On or prior to the Closing, the Representative will provide the City with information regarding the reoffering prices and yields on the Bonds, in such form as the City may reasonably request.

The Underwriters agree to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover or inside cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of the MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a Bond during the underwriting period. Each of the Underwriters further 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 Bonds.

Section 9. Closing. At 8:00 a.m., California time, on [_____], 2025, 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 Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 10(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Bonds set forth in Section 1.

Payment for the delivery of the Bonds shall be coordinated through the Controller's Office of Public Finance of the City 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 referred to herein as the "Closing." The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Physical delivery of the Bonds shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System ("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 Bonds will be made available to the Representative for checking not less than two (2) business days prior to the Closing.

Section 10. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are also subject to the following conditions:

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

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

(c) the Underwriters shall have the right to cancel their obligation to purchase the Bonds by written notification from the Representative to the City, but only after consultation with the City, if at any time after the date of this Purchase Contract and prior to the Closing any of the following occurs and in the reasonable judgment of the Representative, after consultation with the City, would have the effect of materially adversely affecting, directly or indirectly, the market price or marketability of the Bonds, the ability of the Underwriters to enforce contracts for the Bonds or the sale at the contemplated offering price by the Underwriters of the Bonds; *provided, however*, that, in the event the City and the Representative disagree as to the effect of the occurrence of such event on the ability of the Underwriters to market the Bonds or enforce contracts for the sale of the Bonds, the Underwriters may cancel their obligation to purchase the Bonds only after the Representative and the City shall have negotiated in good faith to determine if there is an alternate time, place and manner which would permit the Underwriters to successfully market the Bonds:

(i) any event shall have occurred or any fact or condition shall have become known which, in the sole reasonable judgment of the Underwriters following consultation with the City, Co-Bond Counsel and Co-Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and in either such case, the City refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds;

(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 Bonds to be registered under the Securities Act of 1933, as amended, or requires the qualification of the Resolutions under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies;

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

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

(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 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 general obligation bonds (including the ratings to be accorded the Bonds);

(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 Resolutions which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Bonds) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(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 material 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 Bonds, or the delivery, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

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

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

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

(1) the Official Statement, together with any supplements or amendments thereto in the event the Official Statement has been supplemented or amended, with the Official Statement and each supplement or amendment (if any) signed on behalf of the City by its authorized officer;

(2) a copy of each executed City Document;

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

(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 Squire Patton Boggs (US) LLP and Husch Blackwell LLP ("Co-Bond Counsel"), in substantially the form set forth in Appendix F to the Official Statement;

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

(8) Negative Assurance Letters from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth LLP ("Co-Disclosure Counsel"), addressed to the City and the City Attorney, with a reliance letter to the Representative, substantially in the form attached hereto as **Exhibit E**;

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

(11) 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 Bonds set forth in the Official Statement;

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

(13) a letter of representations duly executed by DTC; 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 Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 11 of this Purchase Contract shall continue in full force and effect.

Section 11. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 11(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel, Co-Disclosure Counsel and Public Resources Advisory Group (the "Municipal Advisor"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Bonds; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 6(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees. 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 Bonds.

(b) The Underwriters shall pay all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission ("CDIAC") in connection with the offering of the Bonds. Notwithstanding that CDIAC fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters (by way of paying the expense component of the underwriting discount) for such fees.

Section 12. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative at the address set forth below:

[Representative]
[_______________]
[_______________]
Attention: [__________]
[Email Address]

Section 13. Parties in Interest. This Purchase Contract is made solely for the benefit of the City and the Underwriters (including the successors or assigns of the Underwriters), and no other person shall acquire or have any right hereunder or by virtue of this Purchase Contract. All of the representations, warranties and agreements of the City contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds, pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 14. Mandatory City Contracting Provisions. The provisions set forth in **Exhibit A**, attached hereto, are incorporated herein by this reference.

Section 15. 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 16. Counterparts. This Purchase Contract may be executed by facsimile transmission and in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute the Purchase Contract by signing any such counterpart.

Section 17. 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 18. Arm's Length Transaction. The City acknowledges that (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the City and the Underwriters; (b) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the City and may have financial and other interests that differ from those of the City, irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters; and (c) the City has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 19. Entire Agreement. This Purchase Contract is the sole agreement of the parties relating to the subject matter hereof and supersedes all prior understandings, writings, proposals, representations or communications, oral or written. This Purchase Contract may only be amended by a writing executed by the authorized representatives of the parties.

Section 20. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

[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,

[UNDERWRITERS]

By: [REPRESENTATIVE], as Representative

By:____________________________________
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

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

ACCEPTED at ___ a.m./p.m. Pacific Time this [__]th day of [___], 2025

APPROVED AS TO FORM:

DAVID CHIU,
CITY ATTORNEY

By: ____________________________________
KENNETH ROUX
Deputy City Attorney

[Signature Page to Purchase Contact (2025E PASS GO Bonds)]

SCHEDULE I

MATURITY SCHEDULE

$[____]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

Maturity Date	Principal Amount	Interest Rate	Yield	Initial Offering Price
[__]	$[__]	[__]%	[__]%	[__]

[C] Yield to the par call date of [_______].

REDEMPTION PROVISIONS

Optional Redemption of the Bonds

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

Mandatory Redemption of the Bonds

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

Term Bonds due [June] 15, 20[__]

Mandatory Sinking Fund Redemption Date ([June] 15)	*Sinking Fund Payment Principal Accounts*
[__]	[__]

† Final Maturity.

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

Term Bonds due [June] 15, 20[__]

Mandatory Sinking Fund Redemption Date (June 15)	*Sinking Fund Payment Principal Accounts*
[__]	[__]

† Final Maturity.

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

EXHIBIT A

**CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS**

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

1. Nondiscrimination Requirements.

(a) *Nondiscrimination in Contracts.* Underwriters shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. 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. Underwriters are subject to the enforcement and penalty provisions in Articles 131 and 132 and Underwriters shall comply with the provisions of San Francisco Labor and Employment Code Articles 131 and 132. 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. 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. 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), City urges 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. City reserves the right to deny access to, or require Underwriters to remove from, City facilities personnel of the Underwriters or subcontractor who City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs City's ability to maintain safe work facilities or to protect the health and

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

5. Compliance with 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. 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 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, Underwriters' performance of services pursuant to this Purchase Contract, and 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 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, 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 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 City to disclose "Private Information" to 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, Underwriters may have access to, or collect on City's behalf, City Data, which may include proprietary or Confidential Information that if disclosed to third parties may damage City. If City discloses proprietary or Confidential Information to Underwriters, or Underwriters collect such information on 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. 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 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 City if it becomes aware of any such fact during the term of this Purchase Contract.

15. Food Service Waste Reduction Requirements. 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. 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 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 Underwriters.

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

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

$[___]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

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

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (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 Resolutions, the Purchase Contract, dated [____], 2025 (the "Purchase Contract"), executed by [Representative], on its own behalf and as representative of [Underwriters], and the Continuing Disclosure Certificate. The Purchase Contract and the Continuing Disclosure Certificate are sometimes collectively 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, 2025, 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 of the individuals listed below is the genuine signature of such person.

Name	Office	Signature

3. The representations and warranties of the City contained in Section 6 of 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 adopted the Resolutions and authorized the execution and delivery of the City Documents and the Official Statement, has duly executed and delivered the City Documents and the Official Statement, and is authorized to perform the obligations on its part to be performed under the City Documents and the Resolutions; 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, except as enforceability thereof may be limited by the

application of laws affecting bankruptcy, insolvency, moratorium, or similar laws affecting creditors' rights generally, the application of equitable principles, the exercise of judicial discretion in certain cases and the limitations on legal remedies against charter cities and counties.

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

6. The City is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, ordinance, resolution, agreement or other instrument to which the City is party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents or the Resolutions 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 adoption of the Resolutions and the execution and delivery by the City of the City Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree or any agreement or other instrument to which the City is a party or is otherwise subject; nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge,encumbrance or security interest of any nature whatsoever upon any of the revenues, property or assets of the City, except as expressly provided or permitted by the Resolutions.

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IN WITNESS WHEREOF, the undersigned have hereunto set their hands on the date first written above.

CITY AND COUNTY OF SAN FRANCISCO

By: ____

Greg Wagner
Controller

CITY AND COUNTY OF SAN FRANCISCO

By: ____

José Cisneros
Treasurer

[SIGNATURE PAGE TO CERTIFICATE OF THE CITY – CCSF 2025E PASS GO BONDS]

EXHIBIT C

FORM OF OPINION OF CITY ATTORNEY

[Closing Date]

City and County of San Francisco
San Francisco, California

Re: $[____] City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety) Series 2025E

[TO COME]

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

_______, 2025

City and County of San Francisco
San Francisco, California

[Representative]
on behalf of itself and representative of the other underwriters listed in Schedule I
San Francisco, California

Re: $[____] City and County of San Francisco General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety) Series 2025E

Ladies and Gentlemen:

[TO COME]

Schedule I

LIST OF UNDERWRITERS

[Underwriters]

EXHIBIT E

**FORM OF NEGATIVE ASSURANCE LETTERS
OF CO-DISCLOSURE COUNSEL**

[_______], 2025

City and County of San Francisco
San Francisco, California

[Representative]
on behalf of itself and
as representative of the other underwriters listed in Schedule I

**$[___]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E**

Ladies and Gentlemen:

[TO COME]

[_____], 2025

City and County of San Francisco
San Francisco, California

[Representative]
on behalf of itself and as
representative of the other underwriters listed in Schedule I
San Francisco, California

$[___]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

Ladies and Gentlemen:

[TO COME]

NOTICE OF INTENTION TO SELL

$[_________]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

NOTICE IS HEREBY GIVEN that the City and County of San Francisco ("City") intends to offer for public sale on [Sale Date], 2025, at [Sale Time a.m.] (California time), the general obligation bonds captioned above ("Bonds") by electronic bids through S&P Global's BiDCOMP™/PARITY® Competitive Bidding System ("Parity").

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

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around [______], 2025 ("Official Notice of Sale") relating to the Bonds. Additional information regarding the proposed sale of the Bonds, including copies of the Preliminary Official Statement for the Bonds, dated on or around [______], 2025 ("Preliminary Official Statement"), and the Official Notice of Sale, are expected to be available electronically at [Printer] ([Printer Website]) on or around [______], 2025, and may also be obtained from the City's Municipal Advisor: Public Resources Advisory Group, 1999 Harrison Street, Suite 1800, Oakland, CA 94612, Attn: Jocelyn Mortensen, Senior Managing Director, Phone: (510) 339-3212, Email: jmortensen@pragadvisors.com. Failure of any bidder to receive such notice shall not affect the legality of the sale.

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

Dated: [______], 2025

OFFICIAL NOTICE OF SALE

[__________]

$[________]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

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

SALE DATE:	[__________], 2025* (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)
TIME:	[__]:00 a.m.*, California time
PLACE:	S&P Global's BiDCOMP™/PARITY® Competitive Bidding System at https://newissue.muni.spglobal.com
DELIVERY DATE:	[______], 2025*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

$[_____]
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

NOTICE IS HEREBY GIVEN that electronic bids will be received through S&P Global's BiDCOMP^{TM}/PARITY® Competitive Bidding System ("Parity") at https://newissue.muni.spglobal.com for the purchase of all, but not less than all, of the above-captioned Taxable General Obligation Bonds, Series 2025E ("Bonds") of the City and County of San Francisco ("City") as more particularly described herein. Bidding procedures and sale terms are as follows:

Issue: The Bonds are described in the City's Preliminary Official Statement for the Bonds dated [________], 2025 ("Preliminary Official Statement").

Time: Bids for the Bonds must be received electronically by __:00 a.m., California time, on [_____], 2025 (subject to postponement or cancellation in accordance with this Official Notice of Sale).

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

THE RECEIPT OF BIDS ON [_______], 2025 MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE - Form of Bids; Delivery of Bids" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity and/or the News Services as soon as practicable following a postponement and no later than [1]:00 p.m., California time, on the business day preceding the new date for receiving bids.

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

Public Resources Advisory Group
Attention: Jocelyn Mortensen
Phone: (510) 339-3212
Email: jmortensen@pragadvisors.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 mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or Parity not later than [1]:00 p.m., California time, on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE - Right to Modify or Amend."

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

This Official Notice of Sale will be submitted for posting to Parity. In the event the summary of the terms of sale of the Bonds posted on Parity conflicts in any respect with this Official Notice of Sale, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

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

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the winning bidder of the Bonds ("Purchaser"). The Bonds will be dated their date of delivery, which is expected to be [______], 2025*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only, and no Purchaser will receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates and Bid Constraints. Interest on the Bonds will be payable on [June 15], 2025, and semi-annually thereafter on [June 15] and [December 15] of each year (each an "Interest Payment Date"). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

(i) each interest rate specified in any bid for the Bonds must be a multiple of one-thousandth of one percent (1/1000 of 1%) per annum;

(ii) the maximum interest rate bid for any maturity shall not exceed [__]% per annum;

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

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

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

(vi) the purchase price bid (calculated as principal, plus original issue premium or minus original issue discount, if any, minus the bidder's compensation) shall not be less than [100% nor greater than 110%].

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

Principal Payments of the Bonds. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on [June] 15 of each year, commencing on [June] 15, 2025, as shown below. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE — Right to Modify or Amend"), the final maturity of the Bonds shall be [June] 15, 20[_]. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment

* Preliminary, subject to change.

to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the Bonds is shown below for information purposes only. **Bidders for the Bonds will provide bids for all of the Principal Amounts**.

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

Maturity Date (June 15)	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, if any, contained in the winning bid. The City reserves the right to change the principal payment schedule set forth above for the Bonds after the determination of the winning bidder therefor, by adjusting one or more of the principal payments of the Bonds, in increments of $5,000, or eliminating maturities in their entirety, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to the Bonds shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the City. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no winning bid may be withdrawn.

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

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

Redemption.

* Preliminary, subject to change.

(i) Optional Redemption of the Bonds: The Bonds maturing on or before [June] 15, 20[__], are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on and after [June] 15, 20[_], shall be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part, on any date, in each case on or after [June] 15, 20[_], at a redemption price equal to the principal amount of the Bonds redeemed, together with, in each case, accrued interest to the date fixed for redemption, without premium.

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

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

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

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

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

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

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale; (2) unconditional; and (3) submitted via Parity. Bids must conform to the procedures established by Parity. All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. The submission of a bid electronically via Parity shall constitute and be deemed the bidder's signature on the bid for the purchase of the Bonds.

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

Bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact the Municipal Advisor at the number provided above or Parity via email at parity@ihsmarkit.com or by calling (212) 849-5021.

Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Municipal Advisor or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder.

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

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

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

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

(2) Such Apparent Winning Bidder shall, promptly after such verbal award, but no later than one hour after the City has given notice of such verbal award, provide in writing (through fax, email or [text]) to the City (in c/o its Municipal Advisor and to the Director of the Office of Public Finance of the Office of the City Controller (the "Office of Public Finance") at the fax, email addresses and/or [telephone numbers] 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 provide written confirmation to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Bonds, after adjustments, if any, are made, as described under "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments;" and

(5) The City will provide to the Apparent Winning Bidder its written final award ("Certificate of Award") via fax, email or text.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about [____], 2025*. Payment for the delivery of the Bonds shall be coordinated through the Office of Public Finance, in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Purchaser. Such payment and delivery is called the "Closing." Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds, described in Appendix F to the Preliminary Official Statement.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations

* Preliminary; subject to change.

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

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

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

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

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms hereof.

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

Expenses of the Purchaser. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the Purchaser will be the responsibility of the 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 Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder through [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 as permitted by Rule 15c2-12. Within seven (7) business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed fifty (50)) of the final Official Statement (the "Official Statement"), without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify the City in writing within two (2) days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

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

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

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

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

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

Continuing Disclosure. In order to assist the 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 Official Statement.

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

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

Dated: [________], 2025.

PRELIMINARY OFFICIAL STATEMENT DATED [_____ __], 2025

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, Co-Bond Counsel, under existing law, (i) interest on the Bonds is not excluded from gross income for federal income tax purposes, and (ii) interest on the Bonds is exempt from State of California personal income taxes. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

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

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

The City and County of San Francisco (the "City") is issuing its Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety), Series 2025E (the "Bonds") under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "Charter"). The Bonds are being issued pursuant to certain resolutions adopted by the Board of Supervisors of the City (the "Board of Supervisors") and duly approved by the Mayor of the City. The issuance of the Bonds has been authorized at elections of the registered voters of the City on November 3, 1992 and November 8, 2016, at which more than two-thirds of the persons voting on Proposition A and Proposition C, respectively, voted to authorize the issuance and sale of the Bonds, as further described under "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds are expected to be used to (i) fund loans that finance the cost of the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing, and (ii) pay certain costs related to the issuance of the Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on [June 15] and [December 15] of each year, commencing [June 15, 2025]. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration."

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

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

[BIDS FOR THE PURCHASE OF THE 2025E BONDS WILL BE RECEIVED BY THE CITY AT [8:00] A.M. PACIFIC TIME ON [_____ __] 2025, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [_____ __] 2025 ("OFFICIAL NOTICE OF SALE"), UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE.]

MATURITY SCHEDULE
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the [Underwriters] [initial purchaser or purchasers], subject to the approval of legality by Squire Patton Boggs (US) LLP, San Francisco, California, and Husch Blackwell LLP, Oakland, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling, Yocca, Carlson & Rauth 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 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [March __], 2025.

[UNDERWRITER] **[UNDERWRITER]**

* Preliminary, subject to change.

Dated: [February] __, 2025

MATURITY SCHEDULE

$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

Maturity Date ([June 15])	Principal Amount	Interest Rate	Yield**	Price**	CUSIP† No. (Base: 79773K)

$_______ ____% Term Bonds due [June 15], 20__ Price ______ CUSIP† No. 79773K ___

$_______ ____% Term Bonds due [June 15], 20__ Price ______ CUSIP† No. 79773K ___

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* Preliminary, subject to change.

** Reoffering prices and yields furnished by the [Underwriters] [initial purchasers]. The City takes no responsibility for the accuracy thereof.

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

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

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

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

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

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

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, public health emergencies, and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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

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

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

[Positions to be confirmed post Nov. 2024 elections]

London N. Breed

BOARD OF SUPERVISORS

Aaron Peskin, *Board President, District 3*

Connie Chan, *District 1*
Catherine Stefani, *District 2*
Joel Engardio, *District 4*
Dean Preston, *District 5*
Matt Dorsey, *District 6*
Myrna Melgar, *District 7*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safai, *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

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Squire Patton Boggs (US) LLP
San Francisco, California

Husch Blackwell LLP
Oakland, California

Municipal Advisor

Public Resources Advisory Group
Oakland, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth LLP
Newport Beach, California

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

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TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety), Series 2025E (the "Bonds"). The Board of Supervisors of the City (the "Board of Supervisors") at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

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

Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance and payment of the Bonds, and provisions of the constitution and statutes of the State of California (the "State"), the charter of the City (the "Charter") and City ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 338, San Francisco, California 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

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

* Preliminary, subject to change.

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 $[175,597]. The San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 73 elementary schools, 13 middle schools, 17 high schools, 47 early education schools, and 3 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the 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"). SFO 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 Original Budget (as defined in Appendix A) for fiscal years 2024-25 and 2025-26 totals $15.9 billion and $15.6 billion, respectively. The General Fund portion of each year's Original Budget is $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"). 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 – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 20[23]."

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the Bonds by Resolution No. 34-19 (the "Master Resolution"), adopted by the Board of Supervisors on January 29, 2019, and duly approved by the Mayor of the City on February 1, 2019, and Resolution No. [____-25] (the "Sale Resolution," and together with the Master Resolution, the "Resolutions"), adopted by the Board of Supervisors of the City on [_____ __], 2025, and duly approved by the Mayor of the City on [_____ __], 2025. The proceeds of the Bonds are expected to be used to (i) fund loans that finance the cost of the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing, and (ii) pay certain costs related to the issuance of the Bonds.

Proposition A (1992) and Proposition C (2016). On November 3, 1992, more than two-thirds of the voters of the City who voted at such election approved Proposition A ("Proposition A (1992)"), establishing the City's Earthquake Loan Bond Program. Proposition A (1992) authorized the City to incur bonded indebtedness of up to $350,000,000 to provide loans for the seismic strengthening of unreinforced masonry buildings devoted to affordable housing and market-rate residential, commercial and institutional uses, and to pay necessary administrative costs incidental thereto. Of the $350,000,000 of general obligation bond authorization, Proposition A (1992) allocated (i) $150,000,000 to make loans for seismic improvements to affordable housing buildings (as amended, the "Affordable Housing Loan Program"); and (ii) $200,000,000 to make loans for seismic improvements to market-rate residential, commercial and institutional buildings (as amended, the "Market Rate Loan Program," and together with the Affordable Housing Loan Program, the "Programs"). The Programs are administered through the Mayor's Office of Housing and Community Development ("MOHCD").

While the Resolutions provide that principal and interest payments on the Bonds will be secured by *ad valorem* taxes levied by the City, Proposition A (1992) also provided that all loan repayments received by the City (the "Loan Repayments"), net of administrative fees, will be used to offset the City's borrowing costs on general obligation bonds issued under Proposition A (1992), including the Bonds, except for Loan Repayments received after the retirement of all such general obligation bonds which may be used for any lawful purpose. See "SECURITY FOR THE BONDS."

Under Proposition A (1992), the City issued $45,315,450 in general obligation bonds to fund loans to private parties under the Affordable Housing Loan Program and $44,000,000 in general obligation bonds to fund loans to private parties under the Market Rate Loan Program. Of the original $350,000,000 of general bond authorization provided by Proposition A (1992), $260,684,550 was left unissued and available to be issued by the City.

On November 8, 2016, more than two-thirds of the voters of the City who voted at such election approved Proposition C ("Proposition C (2016)" and collectively with Proposition A (1992), the "Propositions"), which amended Proposition A (1992) to allow as an additional purpose the incurrence of bonded indebtedness to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings (defined as a building with three or more units) and to convert such structures to permanent affordable housing, and to perform needed seismic, fire, health, and safety upgrades or other major rehabilitation for habitability. Proposition C (2016) did not amend the requirement that all Loan Repayments received by the City must be used to pay debt service on general obligation bonds, except for Loan Repayments received after the retirement of all general obligation bonds issued under the Propositions, which may be used for any lawful purpose; however, the Resolutions also provide that the City is obligated to levy *ad valorem* taxes sufficient to pay debt service on the Bonds.

The Bonds will constitute the third series of bonds to be issued from the authorized amount of $260,684,550 under the Propositions. Upon the issuance of the Bonds, the City will $[______] in authorized but unissued amounts under the Propositions. The City previously issued (1) on February 26, 2019, $72,420,000 in aggregate principal amount of its Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016), Series 2019A, currently outstanding in the aggregate principal amount of $67,710,000 and (2) on December 8, 2020, $102,580,000 in aggregate principal amount of its Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation and Seismic Safety), Series 2020C, currently outstanding in the aggregate principal amount of $91,915,000.

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

Form and Registration

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

Payment of Interest and Principal

Interest on the Bonds will be payable on each [June 15] and [December 15] to maturity or prior redemption, commencing [June 15, 2025], at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Treasurer of the City (the "City Treasurer") will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the person whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a business day. Each Bond authenticated on or before [May 31, 2025] will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds.

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

Redemption*

Optional Redemption

The Bonds maturing on or before [June 15], 20[__] will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after [June 15], 20[__] will be subject to optional redemption prior to their respective stated maturity dates, at the option of the City, from any source of

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* Preliminary, subject to change.

available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after [June 15], 20[__], at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption

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

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

† Maturity

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

Selection of Bonds for Redemption

Subject to the following two paragraphs, if less than all of the outstanding Bonds of a maturity are to be redeemed, the Bonds or portions of Bonds of such maturity to be redeemed will be selected by the City, in authorized denominations of $5,000 or integral multiples of that amount, from among Bonds of that maturity not previously called for redemption, by lot, in any manner which the City deems fair.

If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole Registered Owner of the Bonds, if less than all of the Bonds of a maturity are called for redemption, the particular Bonds or portions thereof to be redeemed will be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Bonds are held in book-entry form, the selection for redemption of such Bonds will be made in accordance with the operational arrangements of DTC then in effect.

It is the City's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the City can provide no assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Bonds on such basis. If the DTC operational arrangements do not allow for the redemption of the Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The City can provide no assurance as to how DTC or any other parties will allocate redemption payments.

Notice of Redemption

The date on which Bonds that are called for redemption are to be presented for redemption is called the "Redemption Date." The City Treasurer will mail, or cause to be mailed, notice of any redemption of Bonds, postage prepaid, to the respective Registered Owners at the addresses appearing on the bond registration books not less than twenty (20) nor more than sixty (60) days prior to the Redemption Date. The notice of redemption will: (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds to be redeemed and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of any Bonds to be redeemed in part only, the respective portions of the principal amount to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bond or portion of Bond to be redeemed will cease to accrue after the Redemption Date. Notice of optional redemption may be conditional upon receipt of funds or other event specified in the notice of redemption as further described under "– Conditional Notice; Right to Rescind Notice of Optional Redemption."

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

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

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

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the redemption account for the Bonds (the "Series 2025E Redemption Account") or the Series 2025E Bond Subaccount (as defined under "SECURITY FOR THE BONDS – Flow of Funds Under the Resolutions") established under the Resolutions, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the Series 2025E Redemption Account. No interest will accrue on such Bonds called for redemption after the Redemption Date and the registered owners of such Bonds will look for payment of such Bonds only to the Series 2025E Redemption Account. All Bonds redeemed will be cancelled immediately by the City Treasurer and will not be reissued. Moneys held in the Series 2025E Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit in the Series 2025E Redemption Account of sufficient moneys to redeem the Bonds called for optional redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the Bonds called for optional redemption have not been deposited in the Series 2025E Redemption Account, or (ii) any other event specified in the notice of redemption did not occur, then (1) such Bonds for which notice of conditional optional redemption was given will not be redeemed and will remain outstanding for all purposes and (2) the redemption not occurring will not constitute a default under the Resolutions.

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

Project Account

Project Account. The Master Resolution establishes a project account designated as the "General Obligation Bonds (Prop A, 1992/Prop C, 2016) Project Account" (the "Project Account"). The Project Account will be maintained by the City Treasurer as a separate account, segregated and distinct from all other accounts. The City Treasurer may establish such accounts and subaccounts within the Project Account as may be necessary or convenient in connection with the administration of the Programs or the bonds issued under the Master Resolution.

All of the proceeds of the sale of bonds issued under the Master Resolution (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the Project Account and will be applied exclusively to the objects and purposes specified in the Propositions. When such objects and purposes have been accomplished, any moneys remaining in such account will be transferred to the Bond Account (as defined in "SECURITY FOR THE BONDS – Flow of Funds Under the Resolutions") and applied to the scheduled payment of the principal of and interest on any series of bonds issued under the Master Resolution. Amounts in the Project Account may be applied to the payment of costs of issuance of bonds issued under the Master Resolution, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of paying agents, registrars, financial consultants, bond counsel and disclosure counsel.

Series 2025E Project Subaccount. The Sale Resolution provides that there will be established with the City Treasurer a special subaccount in the Project Account to be designated the "Taxable General Obligation Bonds, Series 2025E Project Subaccount" (the "Series 2025E Project Subaccount"), to be held separate and apart from all other accounts of the City. All interest earned on amounts on deposit in the Series 2025E Project Subaccount will be retained in the Series 2025E Project Subaccount. Amounts in the Series 2025E Project Subaccount will be expended for the purposes approved by the voters in the Propositions.

Amounts in the Series 2025E Project Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2025E Project Subaccount with other City moneys or (ii) deposit amounts credited to the Series 2025E Project Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2025E Project Subaccount (including interest earnings) will be accounted for separately notwithstanding any such comingling or separate deposit by the City Treasurer. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

A portion of the proceeds of the Bonds will be used to pay certain costs related to the issuance of the Bonds. Up to 0.1% of the gross proceeds of the Bonds is required to be appropriated to fund the Oversight Committee, created to oversee various general obligation bond programs of the City. See "Authority for Issuance; Purposes" above.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto), in a separate account not commingled with other moneys or securities held by the Treasurer or such escrow agent:

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

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

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

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Estimated Sources of Funds

Principal Amount of Bonds
[Net Original Issue Premium]

Total Estimated Sources of Funds

Estimated Uses of Funds

Deposit to Series 2025E Project Subaccount(1)
Oversight Committee Fee(2)
Costs of Issuance(3)

Total Estimated Uses of Funds

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(1) Of the amount deposited in the Series 2025E Project Account, $_______ of the proceeds of the Bonds (which total represents 0.2% of the Series 2025E Project Account for project costs) will be used to pay the Controller's City Services Auditor fee[, and $_______ of the proceeds of the Bonds will be used to pay certain capitalized interest on the Bonds through [_____ __]. 20[__]].

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

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

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DEBT SERVICE SCHEDULES

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

Scheduled Debt Service on the
City and County of San Francisco
Taxable General Obligation Bonds
(Affordable Housing, 2016 – Preservation and Seismic Safety)
Series 2025E

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total
Total				

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

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

Fiscal Year (June 30)	Total Debt Service on the Bonds	Other General Obligation Bonds Debt Service[2]	Total Debt Service
Total			

[1] Amounts are rounded off to the nearest dollar.
[2] As of [_____ __], 2025. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – [____________]."

SECURITY FOR THE BONDS

General

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

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

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

The Propositions require that all Loan Repayments received by the City will be used to pay debt service on general obligation bonds issued under the Propositions (including the Bonds), except for Loan Repayments received after the retirement of all general obligation bonds issued under the Propositions which may be used for any lawful purpose. See "THE BONDS – Authority for Issuance; Purposes" and "Flow of Funds Under the Resolutions – Loan Repayments" below.

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

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

Flow of Funds Under the Resolutions

Bond Account. The Master Resolution provides that there will be established with the City Treasurer a special account to be designated as the "General Obligation Bonds (Prop A, 1992/Prop C, 2016) Bond Account" (the "Bond Account"). The Bond Account and all subaccounts therein will be administered by the City Treasurer with all disbursements of funds therefrom subject to authorization of the Controller. The Bond Account will be kept separate and apart from all other accounts, and each subaccount therein will be kept separate and apart from all other subaccounts. Pursuant to the applicable sale resolution, the Controller may establish such additional accounts and subaccounts within the Bond Account or with any agent, including but not limited to any paying agent or fiscal agent, as may be necessary or convenient in connection with the administration of any series of bonds issued under the Master Resolution, to provide for the payment of principal and interest on such series of bonds.

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

Pursuant to the Master Resolution, all *ad valorem* taxes collected by the City for the payment of debt service on the Bonds as described herein will be deposited in a special subaccount within the Bond Account to be designated as the "Tax Revenues Subaccount."

Series 2025E Bond Subaccount. The Sale Resolution provides that there will be established with the City Treasurer a special subaccount in the Bond Account to be designated as the "General Obligation Bonds, Taxable Series 2025E Bond Subaccount" (the "Series 2025E Bond Subaccount"), to be held separate and apart from all other accounts of the City.

The Sale Resolution provides that (i) on or prior to the date on which any payment of principal of or interest on the Bonds is due, including any Bonds subject to mandatory redemption on said date, the City Treasurer will allocate to and deposit in the Series 2025E Bond Subaccount, first from amounts held in the Program Revenues Subaccount of the Bond Account, until such subaccount is exhausted, and second, from amounts held in the Tax Revenues Subaccount of the Bond Account, an aggregate amount which, when added to any available moneys contained in the Series 2025E Bond Subaccount, is sufficient to pay principal of and interest on the Bonds on such date, and (ii) on or prior to the date on which any Bonds are to be redeemed at the option of the City, the City Treasurer may allocate to and deposit in the Series 2025E Redemption Account, from amounts held in the Bond Account, an amount which, when added to any available moneys contained in the Series 2025E Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the Bonds as is necessary or convenient to permit the optional redemption of the Bonds.

Amounts in the Series 2025E Bond Subaccount may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Series 2025E Bond Subaccount with other City moneys or (ii) deposit amounts credited to the Series 2025E Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in the Series 2025E Bond Subaccount will be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY." All interest earned on amounts on deposit in the Series 2025E Bond Subaccount will be retained in the Series 2025E Bond Subaccount.

Loan Repayments. For the purpose of paying the principal of and interest on bonds issued under the Master Resolution (including the Bonds), the City will collect, until all such bonds are paid, or until there is a sum set apart for that purpose in the treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on such bonds, all Loan Repayments. All Loan Repayments collected by the City will be deposited in a special subaccount to be designated as the "Program Revenues Subaccount," which will be a subaccount within the Bond Account.

So long as any bonds issued under the Master Resolution are outstanding, moneys in the Program Revenues Subaccount will be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on such bonds as such principal and interest will become due and payable, or for purchase of bonds if permitted by the applicable sale resolution; provided, however, that when all of the principal of and interest on such bonds have been paid, any moneys then remaining in said Program Revenues Subaccount will be transferred to the City for any legally permitted purpose. The City Treasurer will utilize available moneys on deposit in the Program Revenues Subaccount to pay principal and interest on bonds issued under the Master Resolution (including the Bonds) before using moneys on deposit in the Tax Revenues Subaccount for such purpose.

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

Principal. On or before [June 15] in each year that any of the bonds issued under the Master Resolution are outstanding, the City Treasurer will set aside in the Bond Account and the appropriate subaccounts therein relating to each series of such bonds an amount which will be equal to the principal on each series of such bonds outstanding that will become due and payable on said [June 15], including those bonds subject to mandatory redemption on such date pursuant to the provisions of the applicable sale resolution.

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

Pledge

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

Statutory Lien on Taxes (Senate Bill 222)

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

In addition to the *ad valorem* taxes levied for the Bonds, the Bonds are payable from Loan Repayments collected by the City.

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2024-25, the total net assessed valuation of taxable property within the City was approximately $351.3 billion. For additional information on the property taxation system, assessed values and appeals to assessed values, see Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation."

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

Of the $351.3 billion total net assessed valuation of taxable property within the City at the start of fiscal year 2024-25, $334.5 billion (approximately 95.2%) represents secured valuations and $16.8 billion (approximately 4.8%) represents unsecured valuations. [Approximately [___]% of fiscal year 2024-25 secured assessed valuation was derived from residential property, approximately [___]% from commercial property, and the balance from industrial or other land uses.] *[To be confirmed/provided]* Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor-Recorder'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. See "CERTAIN RISK FACTORS – Factors Affecting Property Tax Security for the Bonds" below. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Historical information on refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund are listed in Table A-7 of Appendix A attached hereto.

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

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

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

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes. A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

Teeter Plan. In October 1993, the Board of Supervisors of the City passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a "Tax Loss Reserve" for the Teeter Plan. Information on this Tax Loss Reserve is as shown on Table A-8 in Appendix A attached hereto.

Taxation of Utility Property. A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2024-25 valuation of property assessed by the State Board of Equalization is $4.6 billion.

CERTAIN RISK FACTORS

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

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 [___________]. See "City Financial Challenges" below and Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" attached hereto.

Factors Affecting Property Tax Security for the Bonds

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

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

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the City's general obligation bonds. The net total assessed valuation of taxable property in the City at the start of fiscal year 2024-25 was approximately $351.3 billion, compared to $343.9 billion in fiscal year 2023-24. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor-Recorder and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

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

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. As of July 1, 2024, no single parcel comprised more than 0.792% of the total taxable assessed value in the City (in compiling this information, any owners of multiple parcels are not aggregated). See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Tax Levy and Collection."

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

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Under Section 9.106 of the Charter, the issuance of general obligation bonds by the City is limited to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2024-25 is approximately $10.5 billion *[Confirm]*, based on a net total assessed valuation of approximately $351.3 billion (which figure is based on initial assessed valuations for fiscal year 2024-25). [As of October 15, 2024, the City had outstanding approximately $2.2 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.6% *[Confirm]* of the initial assessed valuations for fiscal year 2024-25.] See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. [As of October 15, 2024, the City had authorized and unissued general obligation bond authority of approximately $1.6 billion.] See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City's most recently adopted 10-year capital plan identifies $41.4 billion of capital needs for all City departments, including $5.8 billion in projects for General Fund-supported departments. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Capital Plan."

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

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

The above-described limitations are not expected to impact property tax revenues in the near term. See " – City Financial Challenges," below.

City 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 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 4th quarter of 2019 to 33.7% in the 2nd 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 $1.36 billion in fiscal year 2027-28.

On June 10, 2024, the Controller issued its revenue letter in response to the City's proposed budget for fiscal years 2024-25 and 2025-26. The Controller's report noted that the City faces several key financial risks in coming fiscal years: the projected structural budget gap following depletion of one-time funds; economic risk; 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.

On September 30, 2024, the Controller issued its most recent report on the status of the City economy. The Controller's report noted, among other matters, that the City's office vacancy rate continued to rise hitting 34.5% in the third quarter of 2024 and that there was little improvement in return to office or downtown BART metrics, which, along with hotel and occupancy rates, remain significantly below pre-pandemic levels. Bridge crossings into and out of the City are also notably lower than pre-pandemic levels but showed slight growth from June 2024 to August 2024.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth 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."

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, 20[23]."

Seismic Risks

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

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which 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 [October 1, 2024], [94]% of these soft-story buildings have been brought into compliance. 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 indicated 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. See "Climate Change, Risk of Sea Level Rise and Flooding Damage" below.

Tall Buildings Safety Strategy Report and Executive Directive. The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings 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, 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."

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

Sea levels are anticipated to 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. NCA4 notes that 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 Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the 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.

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 which required a response action to mitigate the consequences. For example, in November 2016, the SFMTA was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, 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. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges."

While COVID-19 case rates have significantly declined, vaccination rates have increased, most 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.

Limitation on Remedies; Bankruptcy

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

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

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

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

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

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

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

State Law Limitations on Appropriations

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

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 on 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 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."

TAX MATTERS

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

The following discussion is generally limited to "U.S. owners," meaning beneficial owners of Bonds 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 Bonds, and partners in such partnerships, and estates or trusts holding Bonds, and beneficiaries of such estates or trusts, should consult their tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. owners).

Prospective purchasers of the Bonds 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 Bonds 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-Bond Counsel expresses no opinion.

Payment of Interest

In general, interest paid or accrued on the Bonds, including qualified stated interest on Discount Bonds (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 Bonds 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."

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") 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 Bond, provided that excess equals or exceeds a statutory de minimis amount (one-quarter of one percent of the Discount Bond'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 Bond 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 Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond 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 Bond (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 Bond. 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 Bond.

Certain of the Bonds ("Premium Bonds") 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 Bond, that owner will be considered to have purchased such Premium Bond 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 Bond using a constant yield to maturity method over the remaining term of the Premium Bond (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 Bond pursuant to Section 1016(a)(5) of the Code.

Owners of Discount and Premium Bonds 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 Bonds, 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 Bonds

Upon the sale, exchange, retirement or other taxable disposition of a Bond, 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 Bond or applicable portion of the adjusted basis. The owner's adjusted basis generally will equal the cost of the Bond to the owner, increased by any OID includible in the owner's ordinary income for the Bond and reduced by any principal payments on the Bond previously received by the owner (including any other payments on the Bond 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 Bond (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 Bond 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 Bonds and the proceeds of the sale of Bonds to non-corporate holders of the Bonds, 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 Bonds 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, Bonds, 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 Bond 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 Bonds 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 Bonds 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 Bonds.

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 Bonds. This requirement otherwise would have applied to a sale or other disposition of Bonds 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 Bonds 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 Bonds as a result of a failure by an investor (or by an institution through which an investor holds the Bonds) to comply with FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the terms of the Bonds, be required to pay additional amounts with respect to any Bond 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 Bonds.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS" herein) are subject to the legal opinions of

Squire Patton Boggs (US) LLP, San Francisco, California, and Husch Blackwell LLP, Oakland, California, Co-Bond Counsel to the City. The proposed form of the legal opinion of Co-Bond Counsel is set forth in Appendix F hereto. The opinions of Co-Bond Counsel 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-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

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

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

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

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

PROFESSIONALS INVOLVED IN THE OFFERING

Public Resources Advisory Group, Oakland, California, has served as Municipal Advisor to the City with respect to the sale of the Bonds. The Municipal Advisor has participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed and assisted the City in other matters relating to the planning, structuring, and sale of the Bonds. The Municipal Advisor has neither independently verified any of the data contained herein nor conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Bond Counsel, [and] Co-Disclosure Counsel [and Underwriters' Counsel] will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION RELATING TO THE BONDS

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

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year [2023-24] which is due not later than [March 27, 2025] 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 EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in Appendix D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the [Underwriters] [initial purchaser or purchasers] of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

As of May 6, 2021, the City was 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/annual-secondary-market-disclosure.

[To be confirmed]

RATINGS

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

[SALE OF THE BONDS]

[The Bonds are scheduled to be sold at competitive bid on [_____ __], 2025, as provided in an Official Notice of Sale, dated [_____ __], 2025 (the "Official Notice of Sale"). The Official Notice of Sale provides that all the Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The initial purchaser or purchasers of the Bonds will represent to the City that the Bonds have been reoffered to the public at the price or yield to be stated on the inside cover hereof.]

[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 Bonds from the City at the purchase price of $[______] (being the principal amount of the Bonds and less an Underwriters' discount of $[______]). The Underwriters are obligated under the purchase contract to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold by the Underwriters to certain dealers and others at yields lower or prices higher than the public offering yields or prices indicated on the inside cover hereof, and such public offering yields or 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.]

MISCELLANEOUS

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

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

CITY AND COUNTY OF SAN FRANCISCO

By: ____
Greg Wagner
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

APPENDIX B

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 20[23]**

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$___________
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY)
SERIES 2025E

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The Bonds are issued pursuant to Resolution No. 34-19, adopted by the Board of Supervisors of the City on January 29, 2019, and duly approved by the Mayor of the City on February 1, 2019, and Resolution No. [___-__], adopted by the Board of Supervisors of the City on [_____ __], 2025, and duly approved by the Mayor of the City on [_____ __], 2025 (together, the "Resolution"). The City covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the [2023-24] Fiscal Year (which is due not later than [March 27, 2025]), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

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

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

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bondholders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
17. Appointment of a successor or additional trustee or the change of name of a trustee; or
18. Incurrence of a Financial Obligation of the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders.

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

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

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

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

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

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

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

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

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

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

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

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

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

Date: ________ __, 2025.

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 City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Bond Issue:	CITY AND COUNTY OF SAN FRANCISCO TAXABLE GENERAL OBLIGATION BONDS (AFFORDABLE HOUSING, 2016 – PRESERVATION AND SEISMIC SAFETY) SERIES 2025E
Date of Issuance:	[MARCH] __, 2025

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated ______ __, 2025. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By: _______[to be signed only if filed]_______
Title: ___________________________________

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

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

Information Furnished by DTC Regarding its Book-Entry Only System

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

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Bonds of a maturity are being redeemed, DTC will determine pro rata the amount of the interest of each Direct Participant in such maturity to be redeemed as notified by the City Treasurer. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

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

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

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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 Certificates.

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 Certificates.

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

APPENDIX A
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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 $1.36 billion in fiscal year 2027-28.

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 $789.3 million two-year shortfall projected in the March 2024 Joint Report (described below) 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 through increases in increased capital and information technology costs and new labor costs. In connection with the Proposed FY25 and FY26 Budget, the Controller released the FY 2024-25 and FY 2025-26 Revenue Letter. See "Original Budget for Fiscal Years 2024-25 and 2025-26 and Revenue Letter."

The following paragraphs describe significant recent reports which preceded the adoption of the FY25 & FY26 Original Budget.

Recent Reports

In December 2023, the Mayor's Office, Controller's Office, and Board of Supervisor's Budget and Legislative Analyst issued the Five-Year Financial Plan Update: FY2024-25 through FY2027-28 (the "December 2023 Five-Year Plan Update"), which forecasted General Fund deficits of $244.7 million in fiscal year 2024-25, $554.5 million in fiscal year 2025-26, $945.1 million in fiscal year 2026-27, and $1,349.7 million in fiscal year 2027-28. The projected deficits were primarily due to continued expenditure growth, coupled with slower revenue growth than previously anticipated.

In March 2024, the Mayor's Office, Controller's Office, and Board of Supervisor's Budget and Legislative Analyst issued an additional update to the Five-Year Plan (the "March 2024 Joint Report"). The March 2024 Joint Report projected minor changes to the shortfalls projected in the December 2023 Five-Year Plan Update due to modest improvements in current year fund balance, modest changes to the revenue forecast, higher employee benefit costs, and nominal updates to other citywide expenditures. The March 2024 Joint Report forecast annual shortfalls of $235.9 million in fiscal year 2024-25, $553.3 million in fiscal year 2025-26, $927.0 million in fiscal year 2026-27, and $1,361.6 million in fiscal year 2027-28.

The Nine-Month Budget Status Report for fiscal year 2023-24 (the "Nine-Month Report") was released on May 14, 2024. The Nine-Month Report projected a General Fund ending balance of $494.4 million in fiscal year 2023-24, a $28.5 million improvement from the $465.6 million balance in the March 2024 Joint

Report. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $760.8 million. The improvement was largely driven by revenue in the Department of Public Health, offset by weakness in tax and other department revenue.

On September 30, 2024, the Controller issued its most recent report on the status of the City economy for September 2024. The Controller's report noted that the San Francisco Metropolitan Statistical Area, as defined by the Federal Office of Management and Budget, shed 9,900 jobs between June and August 2024, but job losses are typical during this time for seasonal reasons. The City's unemployment rate which dipped in May to 3.1%, rose to 4.1% in August. Most government job losses were concentrated in the state and local educational sector, though the tech-heavy Information and Professional Services sectors also lost jobs. Construction and Financial Activities were relative bright spots, adding 700 and 600 jobs, respectively. The City's office vacancy rate continued to rise, hitting 34.5% in the third quarter of 2024. There was little improvement in return to office or downtown BART metrics, which, along with hotel and occupancy rates, remain significantly below pre-pandemic levels. Bridge crossings into and out of the City are also notably lower than pre-pandemic levels but showed slight growth from June to August. Between June and August, city apartment rents continued to rise, though there was no comparable growth in home sales prices.

On October 9, 2024, Mayor Breed announced a number of measures to manage the City's projected deficits, including focusing on reducing recurring costs (rather than one-time measures), and limiting future hiring, deleting existing positions, increasing department flexibility to manage their own budgets, and restricting grant spending to critical needs. These measures are intended to slow current year spending by 3.5% beyond budgeted attrition.

Significant upcoming reports include the expected issuance of budget instructions to departments in late November, which will incorporate an updated five year revenue and expenditure forecast. A full report with narrative on economic conditions and balancing solutions, the Five Year Financial Plan, will be issued by January 2025. The financial pressures described herein result in challenges with respect to revenue and expense forecasting, and there can be no assurances that the budget instructions and/or the updated Five Year Financial Plan, or future reports, will not identify increasing expenses and/or decreasing revenues, potentially resulting in increased deficit projections as compared to prior reports. Particular items that could exacerbate City financial pressures include several measures on the November 2024 ballot. See "BUDGETARY RISKS - Impact of November 2024 Local Ballot Initiatives". 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."

Recent Labor Agreements

In July 2024, the City entered into 28 MOUs representing miscellaneous bargaining units. The MOUs for all unions cover the period July 1, 2024, through June 30, 2027. The Controller's Office prepared an analysis of the impact of the MOUs which stated that the MOUs affect approximately 27,000 authorized positions with an overall salary and benefits base of approximately $4.3 billion in fiscal year 2024-25. The Controller's Office analysis found that 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. The financial impact of the

MOUs has been incorporated in the FY25 & FY26 Original Budget. Approximately 65% of the increased cost under the MOUs is supported by the General Fund. See "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS: Labor Relations" and "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Business Taxes" herein for a further discussion of such matters.

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

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. In November 2019, Mayor Breed was elected to serve her first full term. Prior to her election, Mayor Breed served as Acting Mayor, leading the City following the sudden passing of Mayor Lee. Mayor Breed previously served as a member of the Board of Supervisors for six years, including the last three years as President of the Board. An election for Mayor will occur on November 5, 2024.

Board of Supervisors

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor. Elections for Board seats for Districts 1, 3, 5, 7, 9, and 11 will occur on November 5, 2024.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO

Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Connie Chan, *District 1*	2021	2025
Catherine Stefani, *District 2*	2018	2027
Aaron Peskin, Board President, *District 3*	2015	2025
Joel Engardio, *District 4*	2023	2027
Dean Preston, *District 5*	2019	2025
Matt Dorsey, *District 6*	2022	2027
Myrna Melgar, *District 7*	2021	2025
Rafael Mandelman, *District 8*	2018	2027
Hillary Ronen, *District 9*	2017	2025
Shamann Walton, *District 10*	2019	2027
Ahsha Safai, *District 11*	2017	2025

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 September 29, 2021, Mayor London N. Breed appointed Assemblymember David Chiu to serve as the San Francisco City Attorney. Mr. Chiu replaced the prior City Attorney, Dennis Herrera, who became the General Manager of the San Francisco Public Utilities Commission on November 1, 2021. Mr. Chiu ran and was elected by voters in an election on June 7, 2022 to his current term as City Attorney. An election for City Attorney will occur on November 5, 2024.

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 2019 for a term that extends through January 2025. An election for Treasurer will occur on November 5, 2024. 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. Mr. Wagner replaced the prior City Controller, Benjamin Rosenfield, who stepped down from the position after serving as City Controller since March 2008.

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.

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 – Original Budget for Fiscal Years 2024-25 and 2025-26 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 2022-23, and Original Budgets for fiscal years 2023-24 and 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-2

CITY AND COUNTY OF SAN FRANCISCO
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 Original Budget [6]	2024-25 Original Budget [7]
Prior-Year Budgetary Fund Balance & Reserves	$2,816,902	$2,803,535	$3,214,031	$224,248	$301,875
<u>Budgeted Revenues</u>					
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	851,100	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	30,291	31,802
Fines, Forfeitures and Penalties	2,389	4,039	3,088	3,014	3,921
Interest and Investment Earnings	20,732	34,215	38,660	121,071	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	1,477,115	1,321,363
Charges for Services	254,990	258,939	243,298	272,865	351,423
Other	59,773	37,694	23,307	17,532	19,444
Total Budgeted Revenues	$5,581,775	$5,925,337	$6,216,838	$6,396,439	$6,350,563
Bond Proceeds & Repayment of Loans	-	-	-	-	-
<u>Expenditure Appropriations</u>					
Public Protection	$1,505,780	$1,586,264	$1,681,489	$1,747,204	$1,837,737
Public Works, Transportation & Commerce	218,986	244,365	275,941	242,912	232,734
Human Welfare & Neighborhood Development	1,605,573	1,571,761	1,621,981	1,604,163	1,641,289
Community Health	1,158,599	1,119,891	1,118,010	1,125,977	1,144,476
Culture and Recreation	147,334	161,417	180,475	201,453	190,338
General Administration & Finance	332,997	353,518	351,738	345,406	352,660
General City Responsibilities	126,993	159,299	201,959	184,513	194,821
Total Expenditure Appropriations	$5,096,262	$5,196,515	$5,431,593	$5,451,628	$5,594,055
Budgetary reserves and designations, net	$42,454	$45,567	$46,496	$70,840	$2,160
Transfers In	$417,009	$194,114	$194,984	$211,296	$206,499
Transfers Out[3]	(1,164,927)	(1,181,704)	(1,315,702)	(1,309,516)	(1,250,314)
Net Transfers In/Out	($747,918)	($987,590)	($1,120,718)	($1,098,220)	($1,043,815)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	$2,512,044	$2,499,200	$2,832,062	-	-
Variance of Actual vs. Budget	291,491	714,831	131,543	-	-
Total Actual Budgetary Fund Balance[4]	$2,803,535	$3,214,031	$2,963,605	-	-

[1] The Budget appropriates Excess ERAF property tax funds in all fiscal years shown on the table. Please see "GENERAL FUND REVENUES -- Property Taxation " sections 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 2022-23 Final Revised Budget reflects prior year *actual* budgetary fund balance.

[5] Fiscal year 2020-21, 2021-22, and 2022-23 Final Revised Budgets are based on respective Annual Comprehensive Financial Reports.

[6] Fiscal year 2023-24 amounts represent the Original Budget, adopted July 27, 2023.

[7] Fiscal year 2024-25 amounts represent the Original Budget, adopted July 30, 2024.

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. 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. An update to the December 2023 Five-Year Financial Plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on March 29, 2024, for fiscal year 2024-25 through fiscal year 2027-28. See "CITY BUDGET: Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and 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 in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. No withdrawals from these reserves were made in fiscal year 2023-24, and none are projected to be made during the forecast period given positive, though slow, revenue growth. 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 2023, the City negotiated agreements with its public safety employee organizations for fiscal years 2023-24 and 2024-25. 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.

Role of Controller in Budgetary Analysis and Projections

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

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the fiscal year 2023-24 Six Month Report (the "Six Month Report") on February 15, 2024, and issued the Nine Month Report on May 14, 2024. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in each Mayor's Proposed Budget; the most recent report (Revenue Letter) for fiscal year 2024-25 and 2025-26 was issued on June 10, 2024.

General Fund Results: Audited Financial Statements

The City issued the ACFR, which includes the City's audited financial statements, for fiscal year 2022-23 on December 29, 2023.

Fiscal year 2022-23 General Fund balance decreased from fiscal year 2021-22. As of June 30, 2023, the net available budgetary basis General Fund balance was $852.1 million (see Table A-3), which is $164.0 million less than the $1.0 billion available as of June 30, 2022. This decrease resulted from General Fund expenditures exceeding revenues, as planned for in the fiscal year 2022-23 budget, which assumed the use of $306.7 million of budgetary basis fund balance.

On a Generally Accepted Accounting Principles (“GAAP”) basis, the General Fund balance as of June 30, 2023 was $2.6 billion (shown in Tables A-3 and A-4). 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-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, 2019 through June 30, 2023.

Table A-3, entitled “Statement of Revenues, Expenditures and Changes in General Fund Balances,” 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-3 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 Update: FY 2024-25 through FY 2027-28 and Mayor’s Budget Instructions” for a summary of the most recent projections.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]

Fiscal Years 2018-19 through 2022-23

(000s)

	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues:					
Property Taxes[2]	$2,248,004	$2,075,002	$2,332,864	$2,336,071	$2,459,052
Business Taxes	917,811	822,154	722,642	861,172	850,593
Other Local Taxes[3]	1,215,306	996,180	709,018	1,115,553	1,108,545
Licenses, Permits and Franchises	27,960	25,318	12,332	32,078	28,953
Fines, Forfeitures and Penalties	4,740	3,705	4,508	5,755	3,191
Interest and Investment Income	88,523	65,459	(1,605)	(93,447)	68,319
Rents and Concessions	14,460	9,816	5,111	10,668	11,775
Intergovernmental	1,069,349	1,183,341	1,607,803	1,795,395	1,339,711
Charges for Services	257,814	229,759	230,048	238,438	243,234
Other	46,254	62,218	46,434	23,265	29,677
Total Revenues	$5,890,221	$5,472,952	$5,669,155	$6,324,948	$6,143,050
Expenditures:					
Public Protection	$1,382,031	$1,479,195	$1,498,514	$1,562,797	$1,654,953
Public Works, Transportation & Commerce	202,988	203,350	204,973	232,078	265,019
Human Welfare and Neighborhood Development	1,071,309	1,252,865	1,562,982	1,478,115	1,577,163
Community Health	809,120	909,261	1,056,590	1,002,047	967,381
Culture and Recreation	152,250	155,164	145,405	159,056	172,832
General Administration & Finance	267,997	304,073	314,298	298,742	301,748
General City Responsibilities	144,811	129,941	114,251	273,711	336,280
Total Expenditures	$4,030,506	$4,433,849	$4,897,013	$5,006,546	$5,275,376
Excess of Revenues over Expenditures	$1,859,715	$1,039,103	$772,142	$1,318,402	$867,674
Other Financing Sources (Uses):					
Transfers In	$104,338	$87,618	$343,498	$84,107	$119,361
Transfers Out	(1,468,971)	(1,157,822)	(1,166,855)	(1,209,383)	(1,316,074)
Other	-	-	-	41,913	72,033
Total Other Financing Sources (Uses)	($1,364,633)	($1,070,204)	($823,357)	($1,083,363)	($1,124,680)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$495,082	($31,101)	($51,215)	$235,039	($257,006)
Total Fund Balance at Beginning of Year	$2,221,941	$2,717,023	$2,685,922	$2,670,104	$2,905,143
Cumulative effect of accounting change			35,397	-	
Total Fund Balance at End of Year -- GAAP Basis	$2,717,023	$2,685,922	$2,670,104	$2,905,143	$2,648,137
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$326,582	$395,776	$179,077	$325,664	$150,628
-- Budget Basis	$812,687	$896,172	$901,980	$1,016,157	$852,147

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 The City recognized $548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 18-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see "GENERAL FUND REVENUES - Property Taxation" for more information about Excess ERAF.

3 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-4 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-4 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. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

- 37.5% 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 not part of the General Fund, it is reserved for SFUSD);
- 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-4. 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 2022-23, with an ending balance of $275.2 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 $27.9 million as of fiscal year 2022-23) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of $259.2 million in fiscal year 2022-23) 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 2022-23 balance of $64.7 million includes $57.8 million of General Reserve, as well as two smaller, unrelated reserves. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. A City policy, originally adopted on April 13, 2010, set the General Reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City 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. The fiscal year 2022-23 ending balance of the General Reserve is $57.8 million. The Original Budget for fiscal year 2023-24 included a deposit of $70.8 million and the Original Budget for fiscal year 2024-25 includes a deposit of $14.6 million, see "CITY BUDGET – Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" and "Other Budget Updates: Fiscal Year 2023-24 Nine-Month Budget Status Report" for a summary of the most recent projections.

COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve

The fiscal year 2020-21 Original Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of $507.4 million in fiscal year 2019-20. The COVID Response and Economic Loss Reserve was available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets.

At of the end of fiscal year 2020-21, the COVID Response and Economic Loss Reserve was split into two new reserves -- $100.0 million for a "Federal and State Emergency Grant Disallowance Reserve," and $293.9 million for a "Fiscal Cliff Reserve"—leaving $113.5 million in the original COVID Response and Economic Loss Reserve. By the end of fiscal year 2022-23, the entire balance of the COVID Response and Economic Loss Reserve was depleted.

The Federal and State Emergency Grant Disallowance Reserve was created for the purpose of managing revenue shortfalls related to reimbursement disallowances from the Federal Emergency Management Agency ("FEMA") and other state and federal agencies. In fiscal year 2021-22, $18.7 million of the Federal and State Emergency Grant Disallowance Reserve was appropriated in the Original Budget, leaving a balance of $81.3 million. The fiscal year 2023-24 Original Budget does not appropriate any of this reserve, but the fiscal year 2024-25 Original Budget appropriates $41.3 million, leaving a balance of $40.0 million.

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, leaving a balance of $130.3 million for fiscal year 2024-25.

Operating Cash Reserve

Although not shown in Table A-4, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Summary of General Fund Fund Balances
Fiscal Years 2018-19 through 2022-23
(000s)

	2018-19	2019-20	2020-21	2021-22	2022-23
Restricted for rainy day (Economic Stabilization account)[1]	$229,069	$229,069	$114,539	$114,539	$114,539
Restricted for rainy day (One-time Spending account)[1]	95,908	-	-	-	-
Committed for budget stabilization (citywide)[2]	396,760	362,607	320,637	320,637	330,010
Committed for Recreation & Parks savings reserve	803	803	-	-	-
Assigned, not available for appropriation					
Assigned for encumbrances	$351,446	$394,912	$407,137	$462,668	$424,301
Assigned for appropriation carryforward	496,846	630,759	753,776	940,213	840,748
Assigned for budget savings incentive program (Citywide)	86,979	-	-	-	-
Assigned for salaries and benefits [3]	28,965	25,371	5,088	17,921	27,927
Assigned for Self-Insurance [4]	-	-	42,454	45,567	46,496
Assigned for Hotel Tax Loss Contingency	-	-	6,000	3,500	3,500
Total Fund Balance Not Available for Appropriation	$1,686,776	$1,643,521	$1,649,631	$1,905,045	$1,787,521
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies[3]	$186,913	$160,314	$173,591	$235,133	$259,230
Assigned for subsequent year's budget	210,638	370,405	173,989	307,743	122,701
Unassigned for General Reserve [5]	130,894	78,498	78,333	57,696	64,707
Unassigned - Budgeted for use second budget year	285,152	84	-	149,695	291,710
Unassigned - Projected for use third and fourth budget year	-	-	-	163,400	81,190
Unassigned - Reserve for Other Contingencies	308,000	-	-	-	-
Unassigned - COVID-19 Contingency Reserve [6]	-	507,400	113,500	13,999	-
Unassigned - Federal & State Emergency Revenue Reserve [6]	-	-	100,000	81,300	81,300
Unassigned - Fiscal Cliff Reserve [6]	-	-	293,900	229,750	220,432
Unassigned - Business Tax Stabilization Reserve	-	-	149,000	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
Unassigned - Available for future appropriation	8,897	18,283	31,784	39,795	3,126
Total Fund Balance Available for Appropriation	$1,130,494	$1,137,984	$1,153,904	$1,308,986	$1,176,084
Total Fund Balance, Budget Basis	$2,817,270	$2,781,505	$2,803,535	$3,214,031	$2,963,605
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$2,817,270	$2,781,505	$2,803,535	$3,214,031	$2,963,605
Unrealized gain or loss on investments	16,275	36,626	3,978	(156,403)	(158,859)
Nonspendable fund balance	1,259	1,274	2,714	4,134	1,174
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(23,793)	(20,655)	(31,745)	(32,874)	(40,685)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(87,794)	(139,590)	(120,569)	(118,791)	(111,163)
Inventories	-	33,212	17,925	-	-
Pre-paid lease revenue	(6,194)	(6,450)	(5,734)	(4,954)	(5,935)
Total Fund Balance, GAAP Basis	$2,717,023	$2,685,922	$2,670,104	$2,905,143	$2,648,137

[1] Additional information in "Rainy Day Reserve" section of Appendix A.
[2] Additional information in "Budget Stabilization Reserve" section of Appendix A.
[3] Additional information in "Salaries, Benefits and Litigation Reserves" section of Appendix A.
[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 represets a fund collected and restricted for self-insurance purpose.
[5] Additional information in "General Reserve" section of Appendix A.
[6] Additional information in the "COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve " section of Appendix A.
Source: Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and FY 2023-24 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 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.

On December 22, 2023, the Mayor, Board of Supervisor's Budget Analyst, and Controller issued the Five-Year Financial Plan Update for fiscal years 2024-25 through 2027-28 (the "December 2023 Five-Year Plan Update"), which projected annual shortfalls of $244.7 million, $554.5 million, $945.1 million, and $1,349.7 million, respectively. The Five-Year Financial Plan Update released on March 29, 2024, (the "March 2024 Joint Report") updated this forecast, with annual shortfalls of $235.9 million, $553.3 million, $927.0 million, and $1,361.6 million in fiscal year 2024-25 through 2027-28, respectively (as shown in Table A-5(a) below). These updates resulted from modest improvement in the fiscal year 2023-24 fund balance, modest changes to the revenue forecast, higher employee benefit costs, and nominal updates to other citywide expenditures since the December 2023 Five-Year Plan Update was released.

The Charter requires that each year's budget be balanced. Based on the forecast in the December 2023 Five-Year Plan Update, the Mayor's Budget Office issued instructions to departments in December 2023 to reduce their expenditures by 10% in fiscal years 2024-25 and 2025-26, respectively, in order to close the gap between projected sources and uses. Departments were also required to submit a 5% contingency reduction.

These reductions were in addition to October 2023 instructions from the Mayor's Office to departments to reduce fiscal year 2023-24 General Fund expenditures by 3% in the current fiscal year, as well as propose ongoing cuts in fiscal year 2024-25 and fiscal year 2025-26. Departments proposed, and the Mayor's Office accepted, expenditure reductions and new revenues of approximately $75 million in fiscal year 2023-24 and expenditure savings of $38 million in fiscal year 2024-25 and fiscal year 2025-26. These savings were assumed in the December 2023 Five Year Plan update.

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TABLE A-5(a)

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan
Fiscal Years 2024-25 through 2027-28
Projections as of March 29, 2024
($ Millions)

	Change from FY 2023-24 Budget	Change from FY 2024-25	Change from FY 2025-26	Change from FY 2026-27
	2024-25	**2025-26**	**2026-27**	**2027-28**
Sources - Increase / (Decrease):	**$3.8**	**$191.4**	**$206.6**	**$203.0**
Uses:				
Baselines & Reserves	($9.9)	($68.8)	($146.3)	($257.0)
Salaries & Benefits	(170.1)	(356.4)	(480.6)	(635.9)
Citywide Operating Budget Costs	(95.2)	(299.3)	(404.1)	(505.1)
Departmental Costs	35.4	(20.3)	(102.5)	(166.7)
Total Uses - (Increase) / Decrease:	**($239.8)**	**($744.7)**	**($1,133.6)**	**($1,564.6)**
Cumulative Projected Surplus / (Shortfall)	**($235.9)**	**($553.3)**	**($927.0)**	**($1,361.6)**
Two-Year Deficit	**($789.3)**			

Key assumptions in the March 2024 Joint Report:

- Net General Fund revenues were largely unchanged from the December 2023 Five-Year Plan Update. The December 2023 Five-Year Plan Update forecast General Fund tax revenue to grow year-over-year but slower than previously projected. Total General Fund taxes are projected to grow each year, by 0.4% in fiscal year 2023-24, 0.9% in fiscal year 2024-25, and an average of 2.8% in fiscal year 2025-26 through fiscal year 2027-28. This tepid revenue growth is partly related to structural changes in the local economy. Ongoing patterns of remote work, along with high interest rates, are expected to lead to declining commercial and residential real estate values, affecting property and transfer taxes. Increasing interest rates and depressed levels of venture capital investment have a negative impact on the technology sector and the City's business tax revenue. The March 2024 Joint Report forecast lowers property tax revenues due to the assumption that refunds will be triggered by reductions in value as appeals are resolved through the Assessment Appeals Board and decreased excess ERAF expectations. However, gross receipts and overpaid executive taxes are higher in the March 2024 Joint Report forecast, largely driven by greater than expected current year receipts.

  In addition, the City expected to receive its last reimbursement from the Federal Emergency Management Agency (FEMA) for the COVID-19 public health emergency in fiscal year 2025-26. An additional $21.8 million of FEMA reimbursements for 2023 winter storms are assumed in the March 2024 Joint Report. The City's tourism and hospitality sector is expected to continue its recovery through the plan period at a slower pace than previously anticipated and is not expected to recover to pre-pandemic levels until after the plan period, impacting hotel, sales tax, and State sales tax-based subventions.

The March 2024 Joint Report assumes additional public health one-time and operating revenues driven by fee for service, supplemental, and capitation payments.

- Fiscal year 2023-24 mid-year General Fund savings: In October 2023, the Mayor issued instructions to City departments to propose budget reductions in the current fiscal year in anticipation of a significant structural deficit. The Mayor's Office reviewed proposals to pause uninitiated programs, eliminate vacant positions, take advantage of new revenues, and begin scaling back certain programs. As a result, $48 million of expenditures were placed on reserve in fiscal year 2023-24 and $26 million in new revenues were reported in the FY23-24 Six-Month Report. Based on these changes, this forecast assumes an increase in current year ending balance of approximately $75 million, and ongoing savings of approximately $38 million in each year beginning in fiscal year 2024-25.

- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with Consumer Price Index ("CPI"). This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of fiscal year 2023-24, and as negotiated for public safety employees through fiscal year 2025-26. Miscellaneous contracts are open beginning in fiscal year 2024-25 and public safety contracts are open beginning in fiscal year 2026-27. All open contracts assume the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report to equal 2.5% for fiscal year 2024-25, 2.5% for fiscal year 2025-26, 2.6% for fiscal year 2026-27, and 2.3% for fiscal year 2027-28, applied to the first pay period in January 2025 of fiscal year 2024-25 and the first pay period of each fiscal year thereafter in the projection period. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels and are used solely for projection purposes.

- This report assumes the actuarially assumed rate of return on pension system investments of 7.2% per year, as affirmed by the Retirement Board in November 2023. Employer contributions to both SFERS and CalPERS are estimated using projected rates provided by these entities.

- Health insurance cost increases: This projection assumes that the employer share of health insurance costs for active employees will increase by 9.3% in fiscal year 2024-25, then 7% in each following year, for an average of 7.6% annually over the projection period. Dental insurance costs are projected to decrease by 2.3% in fiscal year 2024-25, then increase by 3.3% for each remaining year, an average of 1.9% annually for the projection period. Retiree health costs are assumed to grow by 9.0% in fiscal year 2024-25, 7.6% in fiscal year 2025-26, 7.3% in fiscal year 2026-27, and 7.1% in fiscal year 2027-28, an average of 7.7% annually over the projection period.

- Inflationary increase on non-personnel operating costs: This projection assumes that the cost of materials and supplies, professional services, and other non-personnel operating costs will increase by the rate of CPI starting in fiscal year 2024-25 and each fiscal year thereafter at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report forecast to 2.5% for fiscal year 2024-25, 2.5% for fiscal year 2025-26, 2.6% for fiscal year 2026-27, and 2.3% for fiscal year 2027-28. The projection reflects the adopted fiscal year 2023-24 and fiscal year 2024-25 budget, which included a 3.75% cost-of-doing business increase for General Fund nonprofit contracts.

- Ten-Year Capital Plan, Five-Year Information and Communications Technology (ICT) Plan, and inflationary increases on equipment: The projection assumes the adopted fiscal year 2023-24 funding level for capital, equipment, and information technology (IT). For capital, this report assumes the budgeted Capital Plan level of funding in fiscal year 2024-25. In the remaining years the report assumes funding will catch up to the City's fiscal year 2024-33 Ten-Year Capital Plan, which was released in 2023. The IT investment projection assumes full funding of the City's Information and Communications Technology (ICT) Plan in fiscal year 2024-25 through fiscal year 2027-28. For equipment, this plan assumes the budgeted level of funding in fiscal year 2024-25, and growth of CPI in the subsequent three fiscal years.

- Deposits and withdrawals from reserves: The forecast assumes no reserve withdrawals beyond those previously budgeted. The projection assumes deposits to the General Reserve in each fiscal year, consistent with the financial policies adopted by the Board of Supervisors and codified in Administrative Code Section 10.60(b). As the City's economy recovers, the General Reserve value will increase from 2.0% of General Fund revenues in the current year to 3.0% by fiscal year 2027-28. Additionally, the projection assumes deposits of $32.8 million and $99.9 million to the Budget Stabilization Reserve in fiscal year 2026-27 and fiscal year 2027-28 as the City's real property transfer tax is expected to exceed the average five-year transfer tax level in those years, triggering required deposits.

The March 2024 Joint Report and December 2023 Five-Year Plan Update noted key factors that could materially impact the City's financial condition, including the following:

- Recent downward revision to local employment numbers: On March 22, 2024, the Employment Development Department (EDD) released a significant revision to its employment data, showing San Francisco and San Mateo counties lost 34,100 jobs between July 2022 and February 2024, with the largest downward revisions in the information and professional, scientific, and technical services industries, which are the primary office-using sectors in San Francisco. The revised figures reflect technology-sector layoffs since 2022, reversing the City's previous understanding that these job losses were absorbed by overall growth in the technology industry. This additional information increases downside risk to the forecast.

- Elevated interest rates are dampening investment and growth at the state and local levels: Successive Federal Reserve interest rate increases appear to have slowed inflation, and professional "Blue Chip" forecasters believe a "soft landing" will likely be achieved nationally. However, high interest rates have an outsized effect on San Francisco's economy, which is highly concentrated in technology firms. Even if rate cuts continue in 2025, as the Fed has suggested, they will remain high compared to the historically low rates enjoyed in the years before and during the pandemic. Hiring and growth at technology firms is tied to venture capital investment, which has fallen locally to $21 billion for the first three quarters of 2023, compared to $46 billion in 2022 and $81 billion in 2021, as high interest rates make venture capital investment less attractive. Declining venture capital investment in the technology sector and related reductions in tech firm expenditures would most directly affect business taxes, but would also affect sales, hotel, and property-related taxes.

  Additionally, high interest rates, along with the "stickiness" of hybrid work, suppress sales and values of both commercial and residential real estate. The handful of recent office sales in the $150-$300 per square foot range represent an average price drop of over 60% from their prior prices and current assessed values, and while average California home prices are rising, those in San Francisco remain flat. The forecast assumes that the City's property and transfer taxes will be significantly impacted as the market adjusts to a new equilibrium over the coming decade.

- Recession risk: While the budget deficit is very large, the underlying revenue forecast does not assume a recession. Overall growth rates of General Fund taxes are projected each year, at 0.4% in fiscal year 2023-24, 0.9% in fiscal year 2024-25, and an average of 2.8% annually in fiscal year 2025-26 through fiscal year 2027-28. Should interest rates or other factors cause employment or wage levels to falter, or there is some other external economic shock, General Fund tax revenue would likely be significantly impacted. A recession scenario is detailed in "BUDGETARY RISKS—Threat of Recession" below. Over the plan period, a recession could worsen the deficit by nearly $1 billion, even accounting for the use of the City's economic stabilization reserves, reductions to General Reserve deposits, and baseline transfers.

- State budget impacts: This report did not assume significant changes in state or federal funding levels. However, on December 7, 2023, the State Legislative Analyst's Office (the "LAO") released their fiscal year 2024-25 fiscal outlook, which projected a $68.0 billion deficit, primarily driven by weaker than anticipated 2023 income tax revenue. The shortfall would require the state to reduce expenditures, potentially in ways that reduce local government revenues such as excess Educational Revenue Augmentation Fund ("ERAF") revenue, grants, and other programs. Flat or falling state sales tax would reduce subventions of state sales tax for public safety, health, and human services.

  The March 2024 Joint Report forecast did not assume the policy changes proposed in the Governor's January budget, including an increase in the amount of ERAF sent to school districts to distribute to charter schools, which would reduce City excess ERAF revenues by $43 million annually, or proposed reductions to social service subventions. The Governor introduced changes to the fiscal year 2024-25 state budget in May 2024, which will be further amended by the state legislature. Given the state's budget shortfall, the City intends to monitor budget legislation for changes that would affect excess ERAF and other local revenues.

- Potential revenue risk from FEMA reimbursements for COVID-19 related expenses: The City assumes it will receive a total of $572.2 million of FEMA reimbursements for its COVID-19-related expenditures. However, fiscal year 2022-23 experience illustrates the risk inherent in these assumptions, when only $2.6 million of the $243.4 million budgeted FEMA revenue was realized by year end. While the City considers this a payment delay versus a disallowance, any changes in guidance or further audits of the City's submissions could be a risk to this revenue.

  The City and dozens of peer jurisdictions in the state are in active discussions with FEMA Region 9 regarding recently published guidance on eligible costs for non-congregate shelter (NCS) services, which San Francisco provided through the Shelter in Place (SIP) hotel program. This new guidance caps reimbursement for stays in SIP hotels to 20 days after June 11, 2021, and states that unoccupied rooms are generally ineligible for reimbursement. The City has reported to the California Office of Emergency Services ("CalOES") that the new guidance could potentially place $114.0 million of claimed FEMA reimbursement at risk for the cost of SIP hotels for vulnerable populations past the 20-day cap, and an additional $76.0 million at risk for the cost of pre-positioned vacant hotels and will continue working with CalOES and FEMA representatives on next steps.

- Retirement contribution rate: Projections assume the SFERS adopted 7.2% rate of return in fiscal year 2023-24; however, year-to-date returns through February 29, 2024, were 5.7%. Additionally, returns reported in the final audited valuation at the end of the fiscal year can vary from the year-to-date return value due to market volatility and the additional time required to get private market valuations. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period. See "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS – San Francisco Employees' Retirement System" for additional detail

- Business tax litigation: the March Joint Report identified business tax litigation as a factor that could materially impact the City's financial condition. See "BUDGETARY RISKS – Business Tax Litigation."

- Pending policy decisions with fiscal impact: Legislative or voter-approved increases to existing baselines, set-asides, or other new spending increases without commensurate revenue increases from new funding sources will impact the projections included in this report. For example, in early March, the Mayor introduced legislation to amend the Development Agreement between the City and County of San Francisco and Treasure Island Community Development, LLC ("TICD"), the entity developing Treasure Island, as well as the Disposition and Development Agreement between the Treasure Island Development Authority and TICD. The amendments—which were subsequently approved by the Board in May 2024—altered the financing plan to help fund the development of infrastructure on the island and result in 20-25 years of lease payments from the City's General Fund starting in fiscal year 2025-26 or fiscal year 2026-27, pending final financing details. This would result in increased costs to the General Fund of approximately $11 million to $14 million annually.

Other Budget Updates: Fiscal Year 2023-24 Nine-Month Budget Status Report

The Nine-Month Budget Status Report for fiscal year 2023-24 (the "Nine-Month Report") was released on May 14, 2024. The Nine-Month Report projected a General Fund ending balance of $494.4 million in fiscal year 2023-24, a $28.5 million improvement from the $465.6 million balance in the March 2024 Joint Report. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $760.8 million. The improvement was largely driven by revenue in the Department of Public Health, offset by weakness in tax and other department revenue.

TABLE A-5(b)

Nine-Month Report
Fiscal Year 2023-24 Projected General Fund Variances to Budget ($ millions)

	Five Year Plan vs FY24 Budget	Six-Month Report vs FY24 Budget	March Joint Report vs FY24 Budget	Nine-Month Report vs FY24 Budget	Change from March Joint Report to Nine-Month Report
FY 2022-23 Ending Fund Balance	417.5	417.5	417.5	417.5	-
Appropriation in the FY 2023-24 Budget	(414.4)	(414.4)	(414.4)	(414.4)	-
Prior Year Fund Balance Above Budgeted Levels	**3.1**	**3.1**	**3.1**	**3.1**	**-**
Citywide Revenue	(42.9)	(117.4)	(112.7)	(103.7)	9.0
Baseline Contributions	(4.3)	22.7	23.8	23.8	-
Departmental Operations	96.4	178.4	178.4	198.0	19.5
Current Year Revenues and Expenditures	**49.3**	**83.7**	**89.5**	**118.1**	**28.5**
Approved Use of General Reserve - Sources	-	-	-	0.5	0.5
Public Health Revenue Management Reserve - Uses	-	-	-	(0.5)	(0.5)
Supplemental Appropriations & Use of Reserves	**-**	**-**	**-**	**-**	**-**
Previously Unappropriated Fund Balance	**81.2**	**81.2**	**81.2**	**81.2**	**-**
Fund Balance Previously Appropriated in FY 2024-25	**291.7**	**291.7**	**291.7**	**291.7**	**-**
FY 2023-24 Projected Ending Balance	**425.3**	**459.7**	**465.5**	**494.1**	**28.5**

The following are highlights of fiscal year 2023-24 projections in the Nine-Month Report:

- A $103.7 million projected citywide revenue shortfall compared to budget is due to weakness across numerous sources, though the shortfall is $9.0 million less than prior projections. Property tax projections have been updated to reduce appeals reserves by $19.5 million, given a decline in open appeals, partially offset by $12.5 million in refunds of taxes related to said appeals, as well as the recognition of $37.2 million in excess ERAF revenue available with final state reconciliation of FY 2021- 22 ERAF uses. This improvement in property tax and a true-up of prior year interest allocations are sufficient to offset an additional $30.9 million weakness in property transfer tax revenue from our last report, reflecting historically low cash receipts, and continued weakness in sales and hotel taxes.

- Departments are projected to end the year with a $198.0 million net operating surplus, a $19.5 million increase from prior projections. This includes $78.4 million of expenditure savings and additional revenues identified by departments in response to the Mayor's September request for mid-year cuts and other savings, which together totaled $96.4 million. The need to fund $23.1 million in general liability litigation reserves is offset by widespread improvement in operating department performance. A $52.5 million shortfall in patient revenue at Laguna Honda Hospital is driven by significantly reduced census due to the pause on new admissions pending recertification; in addition, the State is expected to finalize a new methodology for nursing facility payments retroactive to January 2023 in fall 2024, shifting revenue from the current to the budget year. This shortfall is offset by revenue surpluses elsewhere, particularly in CalAIM behavioral health payments and patient revenue at Zuckerberg San Francisco General Hospital due to higher than expected patient volume and census, and several one-time state payments for safety net programs.

- The Police and Sheriff's departments are expected to require additional supplemental appropriations to reallocate existing expenditure appropriation to overtime, as required by Administrative Code Section 3.17.

- Estimates of FEMA reimbursement revenue for COVID response costs have been reduced by $6.8 million in the current year to reflect actual and expected obligations for testing, vaccination, and other health programs. In October 2023, the FEMA Region 9 Administrator provided updated guidance on eligible costs for non-congregate shelter (NCS) services incurred during the pandemic, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. The City, peer jurisdictions, and California Office of Emergency Services (CalOES) are in continued communication with FEMA representatives regarding this issue, which will affect future year forecasts.

Original Budget for Fiscal Years 2024-25 and 2025-26 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 expenditures in fiscal year 2024-25 and $15.5 billion in fiscal year 2025-26. The $789.3 million two-year shortfall projected in the March 2024 Joint Report 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 through increases in increased 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 coming 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 FY 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. The March 2024 Joint Report 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 – Original Budget for Fiscal Years 2024-25 and 2025-26 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, and both have recently dropped off from summer highs. Indicators of auto use – bridge crossings and freeway speed – both indicate less traffic. As of August 2024, bridge crossings into and out of the City have reached to about 94% of pre-pandemic levels. Comparatively, the bridge crossings were at their post-pandemic peak in August 2023 at approximately 95% 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.

On July 12, 2023, the Office of the Controller issued a memorandum to the Board of Supervisors in response to a request from one of the Board of Supervisors of how the City's business tax system is being challenged by the recent trends towards remote working (the "Business Tax Memorandum").

The Business Tax Memorandum summarized that during the 2010s, the rapid growth of the tech industry, and the entire City economy, fueled growth in City tax revenues, particularly from business taxes. The City, which started the decade with the highest business tax burden of any city in California, further raised that burden with several rate increases and new taxes. However, none of these changes stopped the City from being one of the fastest growing cities in the country during the 2010s, although it did deepen three sources of risk in the City's finances.

First, the City's business tax revenue increasingly comes from a smaller handful of large taxpayers, mainly in the technology sector. These businesses could potentially reap substantial tax savings by locating in other Bay Area tech centers. With the persistence of hybrid work, most of them are currently reducing their office space needs in the City, and elsewhere.

Secondly, the City is increasingly reliant on taxes on the leasing and sale of commercial office properties. Remote work has led to a reduced volume of transactions of these properties, and there is some evidence of a marked reduction in property values. Both trends lead to revenue weakness for the City.

Finally, the business tax memorandum noted that both structural changes in the City's economy, and policy choices to make the tax system more progressive, have had the effect of raising overall revenue volatility by concentrating revenue in a few payers. This runs counter to a long-standing City policy goal of minimizing volatility by broadening the tax base.

Following the publication of the Business Tax Memorandum, at the request of Mayor Breed, President Peskin, and Supervisor Mandelman, the Treasurer, Controller, and Chief Economist conducted a process in summer and fall 2023 with the business community and other stakeholders to develop specific reform recommendations. A public report for the Mayor and Board of Supervisors was provided in February 2024, to frame the development of a measure for the consideration of the voters in November 2024. A summary of final recommendations was published in May 2024, forming the basis of November 2024 ballot initiative Proposition M, Changes to Business Taxes. Among many other things, this measure would shift the calculation of San Francisco gross receipts for most business activities away from payroll expenses toward sales.

See "General Fund Revenues – Other City Tax Revenues" for a discussion of the Business Taxes, Real Property Transfer Tax and Overpaid Executive Tax referenced in the Business Tax Memorandum.

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 33.7% in the 2nd quarter of 2024. Because of the prevalence of long-term leases in the commercial real estate industry, sudden reductions in demand often result in increases in sublease vacancy, instead of direct vacancy. Sublease vacancy occurs when existing tenants vacate their space and seek to find sub-lessees, but continue to pay rent under the original lease. A direct vacancy occurs when the original lease has been broken, or has expired and not been renewed. In this case, the property's income declines until a new lease is signed. In the City, sublease vacancies were a very high percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate declined, while the direct vacancy rate continued to rise, and by mid-2022, direct vacancies accounted for most of the vacant office space in San Francisco, according to Jones Lang LaSalle IP, Inc. If vacancy rates remain at this elevated level, and a large share of these are direct vacancies, then the income, and market value, of office buildings in the City are likely to continue to be negatively affected. 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"). In the interim, published reports reflect the estimated loss of assessed value due to both currently filed and expected future office appeals through the end of the forecast period, reaching $17.5 billion by fiscal year 2027-28. 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. Total prior assessment year reductions assumed for this projection are approximately $11.5 billion, $21.4 billion, $24.4 billion, $25.1 billion, and $26.5 billion in assessed values for fiscal year 2023-24 through fiscal year 2027-28, respectively. As of the March 2024 Joint Report, General Fund property tax revenue required to pay refunds that result from AAB decisions is estimated at $63.7 million, 118.9 million, $136.1 million, $139.4 million, and $147.1 million, for fiscal years 2023-24 through 2027-28, 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. See "CITY BUDGET — Other Budget Updates: Fiscal Year 2023-24 Six-Month Budget Status Report" and "CITY BUDGET – Original Budget For Fiscal Years 2024-25 and 2025-26 and Revenue Letter" for additional information.

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 31% of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive taxes – in tax year 2022. The legal issues raised vary by claimant and are generally in the early stages of the claims and litigation process. 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.

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 upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E's Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy.

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 November 2024 Local Ballot Initiatives

San Francisco's November 2024 ballot contains several proposals with potential significant ongoing fiscal costs to the General Fund should they pass, including the following (cost estimates made by Controller):

- Proposition F – Police Staffing and Deferred Retirement, estimated to cost up to $3 million per year;
- Proposition G – Funding Rental Subsidies for Affordable Housing Development Serving Low Income Seniors, Families, and Persons with Disabilities, estimated to cost up to $8.25 million per year;
- Proposition H – Retirement Benefits for Firefighters, estimated to cost up to $3.7 million per year;
- Proposition I – Retirement Benefits for Nurses and 911 Operators, estimated to cost up to $6.7 million per year; and
- Proposition J – Funding Programs Serving Children, Youth, and Families, estimated to cost up to $64.2 million per year.

Additionally, if passed, Proposition L (Additional Business Tax on Transportation Network Companies and

Autonomous Vehicle Businesses to Fund Public Transportation) is expected to raise up to $25 million annually for the MTA and Proposition M (Changes to Business Taxes) is expected to raise up to $50 million annually for the General Fund when fully implemented.

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 budget assumes continued but slowing economic growth that stops short of assuming a recession.

Due to the timing of the City's reporting vs the State's estimates, estimated growth rates in state sales tax and VLF (defined herein) revenues contained in the January proposal have been reflected in the City's Fiscal Year 2023-24 Nine-Month Report projections of state subventions and are included in the recently adopted FY25 & FY26 Original Budget. As discussed under "CITY BUDGET – Five-Year Financial Plan Update: Fiscal Year 2024-25 through 2027-28 and Mayor's Budget Instructions" the Five-Year Plan identifies State changes in ERAF allocation as a key factor that could impact the City's future financial position.

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. See "Laguna Honda Hospital Potential Loss of Federal Funding." 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.

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.

Laguna Honda Hospital Medicaid and Medicare Recertification

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.

On May 18, 2023, CMS, the City, 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 to continue to receive Medicare and Medicaid payments while addressing the quality improvements needed to ensure resident health and safety. As part of the settlement, CMS extended payments for Medicare and Medicaid services through March 19, 2024, contingent on Laguna Honda meeting requirements aimed at making health and safety improvements at the facility. During this period, Laguna Honda continued to work on quality improvement efforts while aiming to reapply to participate in Medicare and/or Medicaid.

The CDPH and the state's Department of Health Care Services approved Laguna Honda's recertification for Medicaid in August 2023 and CMS approved Laguna Honda's recertification for Medicare in June 2024, which means 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.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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.

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 computes the value of locally assessed taxable property. 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-6 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-33: "Statement of Direct and Overlapping Debt and Long-Term Obligations." In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to 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.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 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
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	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 corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco. Total Tax Levy for fiscal year 2024-25 is based upon intial assessed valuations times the secured property tax rate to provide an estimate.

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. When assessment appeals result in revenue refunds the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly 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-7 below.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Reduction 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 FY 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 AAB, from the Assessor's Office, or both. If a property's fair market value falls 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 simple 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 and more than half of the total count for these years. For the 2023 and 2024 Assessment Rolls, condominiums accounted for a declining percentage of total value of temporary reductions at 63% and 54%, respectively, while increasing as a percentage of total count in 2024 to 79%. The percentage of total count associated with single-family dwellings rose from roughly 4% in 2023 to 7.6% in 2024.

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 taxpayers did according to Assessor records. The result is a temporary downward adjustment of the enrolled value for these properties totaling approximately $135 million. This initiative was one among a number aimed at timely addressing the steep increase in open appeals and the Assessor expects to continue the initiative this year with a similar acceptance rate from a larger pool of taxpayers with open appeals for 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 its 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 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 are withdrawn and many filed appeals result in no reduction. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

As of June 30, 2024, the total number of open appeals before the AAB was 6,073, with 8,036 new applications filed in fiscal year 2023-24. As of June 30, 2024, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was $81.8 billion. Assuming the City did not contest any taxpayer appeals and the AAB upheld all the taxpayer's requests, a negative potential total property tax impact of about $965.3 million would result. The General Fund's portion of that potential $965.3 million would be approximately $455.6 million. In practice, the City has contested virtually all taxpayer appeals. As such, actual reductions have historically been much lower than values asserted by appellant property owners and a majority of appeals are eventually withdrawn. Of the 4,838 appeals closed during fiscal year 2023-24 as of June 30, 2024, 3,749, or 77% of appeals, were withdrawn.

Pending open appeals include a small number of appeals from 2020-21. Nearly all the appeal applications filed during fiscal year 2020-21 challenged the assessed value of property for that fiscal year. However, because the assessed value of secured property for fiscal year 2020-21 was determined by the Assessor as of the January 1, 2020, lien date, which predated the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from COVID-19 impacts for fiscal year 2020-21 appeal applications. However, there was an increase in the number of appeals for fiscal year 2021-22 and a modest increase for fiscal year 2022-23. Appeals for the January 1, 2023 lien date (current values for fiscal year 2023-24) was approximately three times the prior year, totaling 7,508 per AAB reporting. The City is anticipating a similar number of newly filed appeals this year.

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-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll have grown.

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TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2023-24
(000s)

Year Ended	Amount Funded
2013-14	$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567
2018-19	29,126
2019-20	31,968
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-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2024

Assessee[1]	Location	Parcel Number	Type	Total Assessed Value[2]	% Basis of Levy[3]
SUTTER BAY HOSPITALS[4]	1101 VAN NESS AVE	0695 007	Hospital	$2,786,422,698	0.792%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	Office	$1,913,672,794	0.544%
GSW ARENA LLC	1 WARRIORS WAY A	8722 026	Entertainment Comp	$1,533,404,672	0.436%
PARK TOWER OWNER LLC	250 HOWARD ST	3718 040	Office	$1,163,207,711	0.331%
KRE EXCHANGE OWNER LLC	1800 OWENS ST	8727 008	Office	$1,158,816,492	0.329%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	Office	$1,136,782,374	0.323%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	Office	$1,101,967,156	0.313%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	55 SPEAR ST	3713 007	Office	$931,075,752	0.265%
SUTTER BAY HOSPITALS DBA CA PACIFIC MED	3555 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	Hospital	$769,285,502	0.219%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	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.

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-10 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-10

CITY AND COUNTY OF SAN FRANCISCO
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.

Unaudited business tax revenue (gross receipts, payroll, and business registration) for fiscal year 2023-24 is $853.2 million for all funds, representing an increase of $15.8 million (1.8%) from fiscal year 2022-23.

At the request of Mayor London Breed and Board of Supervisors President Aaron Peskin, on February 5, 2024, the Office of the Treasurer & Tax Collector and the Office of the Controller released the Business Tax Reform Memorandum outlining a series of tax reform recommendations to inform a potential ballot measure for the November 2024 election. The overall purpose of the measure is to design a business tax system that better reflects a post-COVID economy. The measure would reduce the risk of tax loss from remote work and business relocation by placing greater weight on gross receipts in the City over payroll in the City. By shifting the tax burden across a greater number of businesses to reduce the concentration of business taxes on a small number of payers, it would reduce volatility in revenue. The tax structure will be simplified to create greater predictability for both businesses and the City. Specifically, the measure will decrease the Overpaid Executive Tax by 80% and balance the lost revenue with increases to the Gross Receipts tax rate. Tax collections will decrease initially as the economy recovers until 2027 and 2028 when tax rates will increase by 4% and 3%, respectively. There are a number of changes in tax rates for various business categories to promote equity across categories and between different sizes of businesses.

In fiscal year 2023-24, indicators generally showed that the City has not seen robust growth in economic activity, and by some indicators, has even declined. According to data from the California Employment Development Department, from FY 2022-23 to FY 2023-24 the total San Francisco labor force declined 2.3% and the number employed decreased by 3.2%. Over the same time frame, the average unemployment rate increased from 2.7% to 3.6%. Office work is the key driver of San Francisco's GDP and office vacancy rates have steadily increased, from 28.3% in Q2 of 2023 to 33.7% in Q2 of 2024. On the other hand, the Bureau of Labor Statistics reports that total San Francisco wages increased 2.9% over the prior fiscal year, suggesting that although there are fewer workers in the City, those that are here are seeing increased wages. Bridge crossings and BART exits from downtown stations, both indicators of commuters coming into the City, remained approximately the same between this fiscal year and the prior fiscal year.

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 has remained about the same between FY 2022-23 and FY 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."

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TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO

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 Pre-Audit[3]	871,823	18,669	2.2%
2024-25 Original Budget[3]	883,000	11,177	1.3%
2025-26 Original Budget[4]	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 2022-23 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] Figures for fiscal year 2023-24 are pre-audit actuals.

[4] Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.

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 the fiscal year 2023-24 pre-audit actuals. The fiscal year 2025-26 budget is $355 million, an increase of $31.6 million (9.8%) from the fiscal year 2024-25 projection. Table A-12 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.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
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 Pre-Audit[3]	14.0%	287,553	4,100	1.4%
2024-25 Original Budget[4]	14.0%	323,443	35,890	12.5%
2025-26 Original Budget[4]	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 2022-23 are actuals.
[3] Figures for fiscal year 2023-24 are pre-audit actuals.
[4] Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.
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.

RPTT revenue for fiscal year 2023-24 are $177.7 million, an $8.5 million (4.6%) decrease from fiscal year 2022-23. The fiscal year 2024-25 budget is $218.9 million, an increase of $41.2 million (23.2%) from fiscal year 2023-24. The fiscal year 2025-26 budget is $267.6 million, an increase of $48.7 million (22.3%) from fiscal year 2024-25. The entirety of RPTT revenue is recorded in the General Fund.

Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, precipitating structural changes to where and how we work. As a result, the City has experienced persistently high office vacancies, reaching a high of 33.7% in Q2 2024 according to JLL. Commercial real estate values (which compose the largest value transactions) have fallen, with recent transactions selling at 57% less than currently assessed values. Additionally, the relatively high interest rate environment increases the cost of borrowing. Additional factors affecting transfer tax revenue include credit availability, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options.

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 FY 2021-22 to 6,714 transfers in FY 2022-23, and further declining to 6,487 transfers in FY 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-13

CITY AND COUNTY OF SAN FRANCISCO
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 Pre-Audit[2]	177,700	(8,547)	-4.6%
2024-25 Original Budget[3]	218,850	41,150	23.2%
2025-26 Original Budget[3]	267,550	48,700	22.3%

[1] Figures for fiscal year 2020-21 through fiscal year 2022-23 are actuals.

[2] Figures for fiscal year 2023-24 are pre-audit actuals.

[3] Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.

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-14. 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.

TABLE A-14

San Francisco's Sales & Use Tax Rate

State Sales Tax	**6.00%**
State General Fund	3.9375%
Local Realignment Fund 2011*	1.0625%
Local Revenue Fund*	0.50%
(to counties for health & welfare)	
Public Safety Fund (to counties & cities)*	0.50%
Local Sales Tax	**1.25%**
Local Sales Tax (to General Fund)*	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	**1.375%**
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 the fiscal year 2023-24 pre-audit actuals. 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-15

CITY AND COUNTY OF SAN FRANCISCO
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	8.50%	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 Pre-Audit[2]	8.625%	1.00%	190,528	(7,383)	-3.7%
2024-25 Original Budget[3]	8.625%	1.00%	193,690	3,162	1.7%
2025-26 Original Budget[3]	8.625%	1.00%	198,940	5,250	2.7%

1 Figures for fiscal year 2020-21 through fiscal year 2022-23 are actuals.

2 Figures for fiscal year 2023-24 are pre-audit actuals.

3 Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.

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-16 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 "CITY BUDGET— Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions " for a summary of the most recent projections.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
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 Pre-Audit[2]	2024-25 Original Budget[3]	2025-26 Original Budget[3]
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	74,000
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 2022-23 are actuals.
[2] Fiscal year 2023-24 is pre-audit actuals.
[3] Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.
Source: Office of the Controller, City and County of San Francisco.

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-17 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-17

CITY AND COUNTY OF SAN FRANCISCO
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 Pre-Audit[2]	2024-25 Original Budget[3]	2025-26 Original Budget[3]
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 2022-23 are actuals.
2 Fiscal Year 2023-24 is pre-audit actuals.
3 Original Budget amounts are from the FY 2024-25 and FY 2025-26 budget, adopted July 31, 2024.
4 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-18 below:

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TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2019-20 through 2024-25
(000s)

Major Service Areas	2019-20 Final Budget[1]	2020-21 Final Budget[1]	2021-22 Final Budget[1]	2022-23 Final Budget[1]	2023-24 Original Budget[2]	2024-25 Original Budget[3]
Public Protection	$1,493,240	$1,505,780	$1,586,264	$1,681,489	$1,747,204	$1,837,737
Human Welfare & Neighborhood Development	1,270,530	218,986	1,571,761	1,621,981	1,604,163	1,641,289
Community Health	1,065,051	1,605,573	1,119,891	1,118,010	1,125,977	1,144,476
General Administration & Finance	332,296	1,158,599	353,518	351,738	345,406	352,660
Culture & Recreation	161,274	147,334	161,417	180,475	201,453	190,338
General City Responsibilities	137,851	332,997	159,299	201,959	184,513	194,821
Public Works, Transportation & Commerce	216,824	126,993	244,365	275,941	242,912	232,734
Total[2]	$4,677,066	$5,096,262	$5,196,515	$5,431,593	$5,451,628	$5,594,055

[1] Figures for fiscal year 2019-20 through fiscal year 2022-23 are as reflected in ACFR.

[2] Fiscal year 2023-24 amounts are from Original Budget, adopted July 27, 2023.

[3] 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.

For budgetary purposes, enterprise funds (which are not shown on the table above) are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 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.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
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.

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 FY24 & FY25 Original Budget includes 40,456 full-time and part-time budgeted City 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. See "CITY BUDGET—Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions" for a summary of the March 2024 Joint Report.

One of the key assumptions in the March 2024 Joint Report was that wages under all open labor contracts would increase during the Five-Year Plan projection period at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI. As of the March 2024 Joint Report, these assumed increases were projected to be 2.54% in FY 2024-25, 2.53% in FY 2025-26, 2.56% in FY 2026-27, and 2.28% in FY 2027-28. Based on the negotiated agreements, the miscellaneous contracts have increases that exceed the CPI assumptions assumed in the March 2024 Joint Report. Unless the City takes other corrective actions, such MOUs would increase the structural deficits projected in the Five-Year Plan.

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TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of September 20, 2024

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 active membership as of July 1, 2023 was 46,657, compared to 45,284 as of July 1, 2022. Active membership as of July 1, 2023 included 11,461 terminated vested members and 1,180 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 32,104 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-21 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, 2019 through July 1, 2023. 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.

TABLE A-21

San Francisco City and County
Employees' Retirement System
July 1, 2019 through July 1, 2023

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Retiree to Active Ratio
2019	34,202	8,911	1,044	44,157	29,490	0.86
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

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 voted to maintain these assumptions for the 2022 and 2023 actuarial valuations at its November 17, 2022 and November 8, 2023 meetings, respectively. 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-22 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, 2023. 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.

TABLE A-22

San Francisco City and County
Employees' Retirement System
July 1, 2019 through July 1, 2023
(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
2019	$ 28,798,581	$ 26,078,649	$ 25,247,549	90.6%	87.7%	$ 1,026,036	23.31%
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%

[1] Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C.
Employer contribution rates for fiscal years 2023-24 and 2024-25 are 18.24% and 16.91%, 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.

Note that at the July 1, 2023 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 7.9% 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 2023.

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: FY2024-25 through FY2027-28 and 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 2023 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 2023 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 fiscal-year end 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-23 below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-23

Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2018-2019 through 2022-2023
(Dollar amounts in 000s)

As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate %	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2019	$ 30,555,289	7.40%	$ 26,078,649	85.3%	$ 4,476,640	$ 4,213,807
2020	32,031,018	7.40%	26,620,218	83.1%	5,410,800	5,107,271
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

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Trial Courts)

NPL can be quite volatile. The increase in NPL at fiscal year-end 2020 was due to lower-than-expected investment returns. 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.

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, 2023 was 8.48%. For the ten-year and twenty-year periods ending June 30, 2023, annualized investment returns were 9.05% and 8.36% 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

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment.

The most recent amendment, Proposition A, was approved by voters in November 2022. This amendment made certain retirees who commenced benefits before November 6, 1996 eligible for a supplemental COLA even if SFERS is not fully funded. For these retirees, in years when SFERS is not fully funded, the supplemental COLA would be limited to $200 per month for retirees who have an annual pension of more than $50,000.

Proposition C was approved by voters in November 2011 to reduce future pension costs and introduced new benefit tiers effective for employees hired on and after January 7, 2012.

In August 2012, then-Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2023, the audited market value of Retirement System assets was $33.7 billion. As of August 31, 2024, the estimated value of SFERS' investment portfolio was $36.4 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. 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 2022-23, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $874 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $738 million; approximately $215 million of this $738 million amount was for health care benefits for approximately 24,269 retired City employees and their eligible dependents, and approximately $523 million was for benefits for approximately 32,023 active City employees and their eligible dependents.

The 2023 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 2.9%. The increase is favorable compared to 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.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
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.

Total City Employee Benefits Costs

Table A-25 provides historical and budget information for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. Historically, approximately 50% of health benefit costs are paid from the General Fund. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-25 below provides a summary of the City's employee benefit actual costs for fiscal years 2018-19 through 2022-23 and budgeted costs for 2023-24.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2018-19 through 2023-24
(000s)

	2018-19 Actual[1]	2019-20 Actual[1]	2020-21 Actual[1]	2021-22 Actual[1]	2022-23 Actual[1]	2023-24 Budget[1]
SFERS and PERS Retirement Contributions	$650,011	$759,933	$823,317	$771,705	$755,995	$685,222
Social Security & Medicare	$219,176	$231,557	$229,044	$241,735	$260,233	$289,837
Health - Medical + Dental, active employees [2]	$522,006	$555,780	$564,453	$570,262	$583,588	$644,225
Health - Retiree Medical [2]	$186,677	$196,641	$216,916	$222,556	$215,885	$239,051
Other Benefits [3]	$26,452	$28,493	$24,111	$20,766	$19,149	$76,761
Total Benefit Costs	$1,604,322	$1,772,403	$1,857,841	$1,827,024	$1,834,849	$1,935,097

[1] Figures for fiscal year 2018-19 through fiscal year 2022-23 are actuals. Figures for fiscal year 2023-24 are from the Final Budget, July 25, 2023.
[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.

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 September 30, 2024, the City's surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of September 30, 2024

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$3,648,000,000	$3,629,081,529	$3,564,937,292
Federal Agencies	6,730,537,000	6,725,547,938	6,723,612,503
Public Time Deposits	30,000,000	30,000,000	30,000,000
Negotiable Certificates of Deposit	1,417,000,000	1,417,000,000	1,419,519,380
Commercial Paper	1,307,000,000	1,289,923,410	1,291,244,364
Medium Term Notes	124,595,000	123,790,136	124,579,028
Money Market Funds	2,124,855,738	2,124,855,738	2,124,855,738
Supranationals	405,037,000	404,277,002	403,232,271
Secured Bank Deposit	101,526,866	101,526,866	101,526,866
Total	$15,888,551,603	$15,846,002,619	$15,783,507,443

September Earned Income Yield: 3.700%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, MaxQ Analytics.

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TABLE A-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of September 30, 2024

Maturity in Months			Par Value	Percentage
0	to	1	3,176,382,603	19.99%
1	to	2	436,000,000	2.74%
2	to	3	688,000,000	4.33%
3	to	4	891,374,000	5.61%
4	to	5	652,407,000	4.11%
5	to	6	506,000,000	3.18%
6	to	12	2,348,303,000	14.78%
12	to	24	3,237,330,000	20.38%
24	to	36	2,157,463,000	13.58%
36	to	48	848,655,000	5.34%
48	to	60	946,637,000	5.96%
			$15,888,551,603	100.00%

Weighted Average Maturity: 470 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, MaxQ Analytics

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. 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. As of October 15, 2024, the City had approximately $2.2 billion aggregate principal amount of GO bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-33.

Table A-28 shows the annual amount of debt service payable on the City's outstanding GO bonds.

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of October 15, 2024 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2024-25	$156,061,476	$94,821,899	$250,883,375
2025-26	160,466,279	86,699,562	247,165,841
2026-27	155,115,840	79,384,534	234,500,374
2027-28	159,544,035	72,290,137	231,834,172
2028-29	167,841,751	64,989,710	232,831,461
2029-30	176,075,095	57,181,381	233,256,475
2030-31	144,076,950	49,031,589	193,108,539
2031-32	150,005,000	42,795,765	192,800,765
2032-33	119,490,000	36,482,707	155,972,707
2033-34	102,195,000	31,599,847	133,794,847
2034-35	96,675,000	27,570,657	124,245,657
2035-36	62,450,000	23,836,143	86,286,143
2036-37	52,250,000	21,551,763	73,801,763
2037-38	54,075,000	19,722,911	73,797,911
2038-39	48,340,000	17,815,652	66,155,652
2039-40	48,355,000	16,131,920	64,486,920
2040-41	43,040,000	14,422,231	57,462,231
2041-42	44,675,000	12,790,188	57,465,188
2042-43	46,380,000	11,078,137	57,458,137
2043-44	48,165,000	9,296,299	57,461,299
2044-45	50,020,000	7,438,235	57,458,235
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	**$2,230,296,426**	**$825,492,341**	**$3,055,788,767**

[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.

Source: Office of Public Finance, City and County of San Francisco.

Authorized but Unissued City GO Bonds

Certain GO bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A ("1992 Proposition A") which authorized the issuance of up to $350.0 million in GO bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015, the City issued $89.3 million of bonds under the original 1992 Proposition A authorization. In November 2016, voters approved Proposition C ("2016 Proposition C"), which amended the 1992 Proposition A authorization (together, the "1992A/2016A Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In 2019 and 2020, the City issued $175.0 million of bonds across two series under the 1992A/2016A Propositions. Currently $85.7 million remains authorized and unissued.

In November 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. In 2020 and 2023, the City issued the first two series of bonds in the principal amount of $88.7 million, leaving $336.3 million authorized and unissued.

In November 2019, voters approved Proposition A ("2019 Affordable Housing Proposition"), which authorized the issuance of up to $600.0 million in general obligation bonds to finance the construction, development, acquisition, and preservation of affordable housing for certain vulnerable San Francisco residents; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for SFUSD and City College of San Francisco employees; and to pay related costs. In 2021 and 2023, the City issued the first two series of bonds in the principal amount of $425.4 million, leaving $174.6 million authorized and unissued.

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to $628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, 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. In 2021, the City closed the first four series of bonds with a total principal amount of $167.8 million, leaving $460.7 million authorized and unissued.

In November 2020, voters approved Proposition A ("2020 Health and Recovery Bond"), which authorized the issuance of up to $487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and improve the safety and condition of streets and other public rights of way. In 2021 and 2023, the City issued the first three series of bonds in an aggregate principal amount of $287.3 million, leaving approximately $200.2 million 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. No series have yet been issued under the 2024 Affordable Housing Proposition authorization.

Refunding General Obligation Bonds

The Board of Supervisors has adopted and the Mayor has approved three different resolutions (the "Refunding Resolutions") authorizing the issuance of approximately $3.8 billion in aggregate of general obligation refunding bonds in one or more series. Resolution No. 272-04 (approved in May 2004) authorized the issuance of $800.0 million to refund all or a portion of the City's outstanding General Obligation Bonds. Resolution No. 448-11 (approved in November 2011) authorized the issuance of approximately $1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. Resolution No. 097-20 (approved in March 2020) authorized the issuance of approximately $1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. The refunding bonds outstanding as of October 15, 2024, under the Refunding Resolutions, are shown in Table A-29 below.

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of October 15, 2024

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2020-R1	May 2020	$195,250,000	$140,415,000 [1]
2021-R1	May 2021	91,230,000	67,545,000 [2]
2021-R2	September 2021	86,905,000	25,205,000 [3]
2022-R1	May 2022	327,300,000	277,445,000 [4]
2024-R1	May 2024	340,615,000	340,615,000 [5]

1 Series 2008-R1 Bonds were refunded by the 2020-R1 Bonds in May 2020.

2 Series 2013A, 2013B, and 2013C Bonds were refunded by the 2021-R1 Bonds in May 2021.

3 Series 2011-R1 Bonds, which refunded the 2004-R1 Bonds, were refunded by the 2021-R2 Bonds in September 2021.

4 Series 2012D, 2012E, 2014A, 2014C, and 2014D Bonds were refunded by the 2022-R1 Bonds in May 2022.

5 Series 2015B, 2017A, 2018A, 2018B, 2018C, 2018E, and 2015-R1 Bonds--which refunded the 2006-R1, 2006-R2, and 2008-R3 Bonds, were refunded by the 2024-R1 Bonds in May 2024.

Source: Office of Public Finance, City and County of San Francisco.

Table A-30 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. As of October 15, 2024, the City had authorized and unissued general obligation bond authority of approximately $1.6 billion.

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TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of October 15, 2024 [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	-	$336,305,000
Affordable Housing Bond	11/5/19	$600,000,000	2021A	$254,585,000	$162,425,000	
			2023C	$170,780,000	$104,160,000	$174,635,000
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	-	$460,695,000
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	-	-	-	$300,000,000
SUBTOTAL		$6,278,700,000		$4,721,170,450	$1,379,071,426	$1,557,529,550

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		**$6,278,700,000**		**$5,762,470,450**	**$2,230,296,426**	**$1,557,529,550**

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds ."

Source: Office of Public Finance, City and County of San Francisco.

General Fund Lease Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-31 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds, certificates of participation, and equipment lease purchase agreements as of October 15, 2024.

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TABLE A-31

Debt Service on Lease Revenue Bonds and Certificates of Participation
As of October 15, 2024 [1] [2]

Fiscal Year	Principal	Interest [3]	Annual Payment Obligation
2024-25[4]	$79,118,037	$66,580,814	$145,698,852
2025-26	78,468,229	64,147,414	142,615,643
2026-27	79,118,731	60,202,410	139,321,142
2027-28	74,655,000	56,325,250	130,980,250
2028-29	78,180,000	52,599,220	130,779,220
2029-30	81,700,000	48,828,216	130,528,216
2030-31	75,220,000	45,209,989	120,429,989
2031-32	68,735,000	42,109,403	110,844,403
2032-33	70,285,000	39,246,804	109,531,804
2033-34	73,220,000	36,153,022	109,373,022
2034-35	66,975,000	33,138,934	100,113,934
2035-36	67,730,000	30,041,180	97,771,180
2036-37	68,430,000	26,878,545	95,308,545
2037-38	71,420,000	23,686,358	95,106,358
2038-39	74,560,000	20,347,590	94,907,590
2039-40	77,860,000	16,843,428	94,703,428
2040-41	81,315,000	13,165,237	94,480,237
2041-42	68,645,000	9,316,361	77,961,361
2042-43	34,365,000	6,398,656	40,763,656
2043-44	34,010,000	4,758,706	38,768,706
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]	**$1,493,334,998**	**$707,884,338**	**$2,201,219,336**

[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 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, some of which have authorized but unissued 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.

Table A-32 below lists the City's outstanding certificates of participation, lease purchase financings, and voter-authorized lease revenue bonds.

TABLE A-32

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds[1]
As of October 15, 2024[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	$124,975,000
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)	2033	214,585,000	214,585,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		**$1,580,090,000**	**$1,400,090,000**
LEASE PURCHASE FINANCINGS			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$3,320,763
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	9,089,235
SUBTOTAL LEASE PURCHASE FINANCINGS		**$56,733,625**	**$12,409,998**
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		**$1,830,468,625**	**$1,477,644,998**

[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.

Board Authorized and Unissued Long-Term Certificates of Participation

Certain issuances below 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, and Series 2024-R1, 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. The proposed Series 2024A COP issuance would be issued under the Master Lease on parity with the previously mentioned outstanding series of Master Lease COPs.

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 2024-25.

Department of Public Health Facilities Improvements: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed $157.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance projects for the Department of Public Health ("DPH"), including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the long-term COPs as the Series 2024A COPs.

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 2024-25 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 2024-25 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 2024-25.

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.

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. If the COP authorizing legislation is approved, the City would expect to issue its first series of long-term 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 Series 1 and 1-T and Series 2 and 2-T CP notes are secured by a $150 million revolving credit agreement with Wells Fargo, which expires in March 2026.

The Series 3 and 3-T and 4 and 4-T are secured by a $100 million revolving letter of credit issued by Bank of the West, which expires in April 2026.

As of October 15, 2024, the outstanding principal amount of CP Notes is $51.3 million. The average interest rate for the $41.5 million outstanding tax-exempt CP Notes is 3.03%. The interest rate for the $9.8 million outstanding taxable CP Notes is 4.75%. The projects with Board of Supervisors authorized and unissued Certificates of Participation currently utilizing the CP Program includes HOPE SF, DPH Facilities Improvements, 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 10/15/2024**
HOPE SF	$3,645,796
DPH Facilities Improvements	35,670,000
Critical Repairs & Recovery Stimulus	9,448,460
Police Vehicle Acquisition	1,783,113
HOJ Relocation – Tenant Improvements	717,631
TOTAL	**$51,265,000**

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of October 15, 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.

TABLE A-33

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of October 15, 2024

2024-25 Assessed Valuation (includes unitary utility valuation):	$351,900,093,338 [1]
GENERAL OBLIGATION BONDED DEBT	
San Francisco City and County	$2,230,296,426
San Francisco Unified School District	932,935,000
San Francisco Community College District	642,020,000
TOTAL GENERAL OBLIGATION BONDED DEBT	$3,805,251,426
LEASE OBLIGATIONS BONDS	
San Francisco City and County	$1,477,644,998
TOTAL LEASE OBLIGATION BONDED DEBT	$1,477,644,998 [2]
TOTAL COMBINED DIRECT DEBT	$5,282,896,424
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	$745,206,913
Transbay Joint Powers Authority	222,965,000
TOTAL OVERLAPPING INCREMENT DEBT	$968,171,913
OVERLAPPING TAX INCREMENT REVENUE DEBT:	
San Francisco Infrastructure and Revitalization Financing District No. 1	$37,420,000
TOTAL OVERLAPPING INCREMENT DEBT	$37,420,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$8,053,301,866 [3]
Ratios to 2024-25 Assessed Valuation ($351,900,093,338)	**Actual Ratio**
Direct General Obligation Bonded Debt ($3,805,251,426)	1.08% [4]
Combined Direct Debt ($5,282,896,424)	1.50%
Total Direct and Overlapping Bonded Debt	2.29%
Ratio to 2024-25 Redevelopment Incremental Valuation ($45,832,885,271)	
Total Overlapping Tax Increment Debt	2.11%

[1] Includes $578,762,800 homeowner's exemption for FY24-25.

[2] Excludes 833 Bryant lease.

[3] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds, as well as the issue to be sold.

[4] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY24-25 AV is 0.63%.

Source: California Municipal Statistics Inc., City and County of San Francisco

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds 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. See "LEGAL MATTERS AND RISK MANAGEMENT – Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act."

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

Public Works Investigation. In January 2020, the City's former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud, and lying to Federal Bureau of Investigation ("FBI") agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney's Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in January 2021. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

Mr. Wong was criminally charged in June 2020 with conspiring with City officials and laundering money. As part of the criminal investigation into Mr. Nuru and Mr. Wong, the SFPUC received a federal, criminal, grand jury subpoena in June 2020 for the production of documents, communications, contracts and records, including the complete personnel file of the SFPUC's former General Manager, Harlan L. Kelly, Jr.

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly's home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced. Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than $300,000 in ethics fines and more than $1 million in restitution. The total restitution amount to the City includes $73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020. Michael Carlin, former-Deputy General Manager of the SFPUC, then served as the Acting General Manager of the SFPUC through October 31, 2021. Mr. Herrera began serving as General Manager of the SFPUC on November 1, 2021.

Since Mr. Nuru's arrest in January 2020, the Controller's Office, in consultation with the City Attorney, has issued 11 public integrity reviews, all of which can be found on the Controller's website. Ten of the 11 reports focus primarily on City departments other than the SFPUC. The Controller's Office's December 9, 2021, Public Integrity Audit looked specifically at the SFPUC's Social Impact Partnership Program and made seven recommendations to strengthen internal controls and oversight. The SFPUC concurred with all seven of those recommendations, and as of December 2022, five of the seven recommendations had been implemented and two were in progress.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on a number of City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a $1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to a bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined $15,200. In July 2023, a jury convicted Mr. Kelly of wire fraud and bank fraud, and Mr. Kelly was sentenced in March 2024 to four years in prison and fined $10,000. The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.

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.

Affordable Housing GO Bonds Update & Request for Approval:

2016 Affordable Housing Bonds – Preservation & Seismic Safety (PASS) 3rd Issuance

Budget and Finance Committee
January 22, 2025

Dan Adams, Mayor's Office of Housing and Community Development (MOHCD)
William Wilcox, Mayor's Office of Housing and Community Development (MOHCD)
Vishal Trivedi, Controller's Office of Public Finance (OPF)

2016 Affordable Housing – Preservation & Seismic Safety Bond

Action Items:

- **File No. 241171:** Resolution authorizing the sale of Taxable General Obligation Bonds (Affordable Housing 2016 – Preservation & Seismic Safety) Series 2025E, not to exceed $40,000,000

- **File No. 241170:** Ordinance appropriating $40,000,000 of General Obligation (GO) Bond proceeds from Series 2025E Affordable Housing to the Mayor's Office of Housing and Community Development (MOHCD) to acquire, improve and rehabilitate and to convert at-risk multi-unit residential buildings to permanent affordable housing

PASS Program Update

Dan Adams &
William Wilcox
(MOHCD)

1992 Prop A (SSLP)

- Prop A to fund seismic safety loans after Loma Prieta earthquake passed in 1992
- $350M bond known as the Seismic Safety Loan Program (SSLP)
- $60M for Deferred Loans
- $90M for Below Market Rate Loans
- $200M for Market Rate Loans
- Program was underutilized – only $90M in loans originated over more than 20 years

Eligible Uses

- Seismic retrofits to unreinforced masonry buildings;
- Acquisition/rehabilitation and preservation of affordable housing;
- Small Sites (buildings with 5-50 units);
- Larger multi-unit and mixed-use residential buildings;
- Single-room occupancy hotels (SRO)

What's not eligible:

- New construction
- Acquisition without rehabilitation

Affordability Restrictions

- Permanent affordability restrictions for Deferred Loans and Below Market Rate Loans
- Maximum average rent and household income at 80% AMI, and cap at 120% AMI

AMI	Rent[1]	Income[2]
80%	2,594	103,750
120%	3,891	155,650

- Prohibition on capital improvement pass-through for projects with only market-rate loans (no projects of this type have been financed)

Notes:
1. 2023 MOHCD AMI – 80% Max Average / 120% Maximum 2-bedroom gross rent
2. 2023 MOHCD AMI – 80% Max Average / 120% Maximum 3-person household income

2016 Affordable Housing Bond Update

- First Issuance: **$74.4M**

  Issued February 2019

  98% spent as of June 2024

- Second issuance: **$102.6M**

  Issued November 2020

  64% spent and encumbered as of June 2024

2016 Affordable Housing Bond Update

Total Anticipated Units Preserved

	Total	1st Issuance 2019A	2nd Issuance 2020C	3rd Issuance 2025E	4th Issuance TBD
Par Amount	**260,684,550**	72,420,000	102,580,000	37,398,360	48,286,190
Projects	**75**	23	37	4	11
Residential Units	**1,965**	435	834	271	425
Commercial Units	**78**	28	28	7	15

2016 - PASS 3rd Issuance Request

Series 2025E

- Issue up to **$40M** in **PASS** bonds with assumed total project fund of **$37,398,360:**
  - $22,759,857 in Market Rate PASS loans
  - $14,638,503 Affordable Housing PASS loans
    - $12,592,020 Below Market Rate loans
    - $2,0246,483 Deferred loans
- Planned to fund 4 projects with 169 residential and 7 commercial units
- Expenditures planned to occur by 6/30/2025
- Will support projects with a maximum average AMI of 80% with max tenant AMI of 120%
- Planned projects include 2 portfolio rehabilitations and 2 new acquisitions

Larkin Pine Senior Housing

- 63 units of senior housing owned by Chinatown Community Development Center
- Adding 5 units and converting units from SRO to Studios
- Comprehensive rehabilitation of existing affordable housing to improve quality of life and maintain building systems

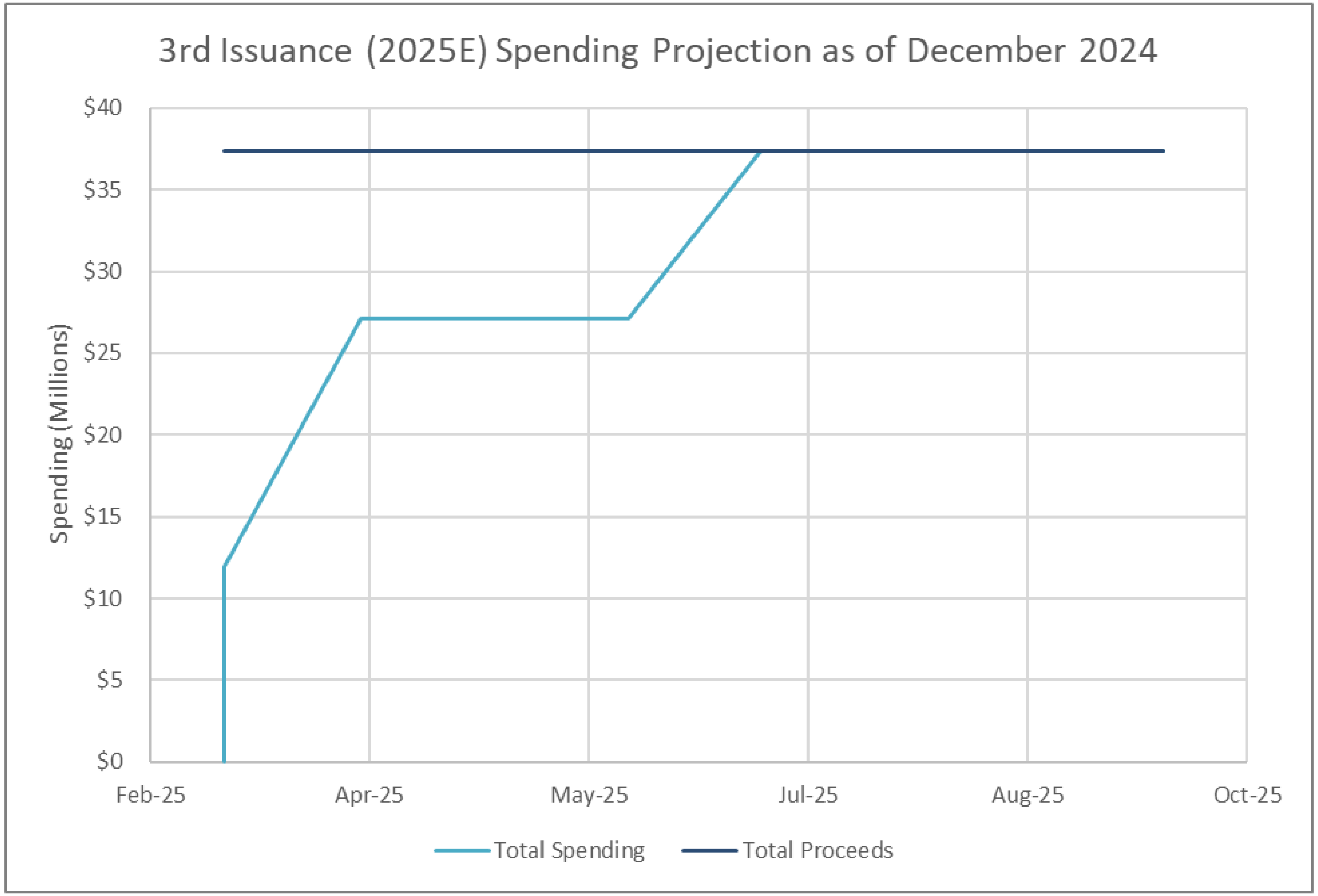
2901 16th Street

- 55 studios, 2 SROs, and 8 commercial units

- Acquisition by Mission Economic Development Agency of market rate property converting to affordable housing

2016 – PASS 3rd Issuance Request

Series 2025E



2016 – PASS 3rd Issuance Request

Series 2025E – Known Risks

Known Risks

- Construction cost increases are less severe, but still unpredictable

- If interest rates in private market decrease significantly it could become challenging to place/use debt

Financing Information

Vishal Trivedi (OPF)

2016 – PASS 3rd Issuance Request

Series 2025E – Plan of Finance

Current Plan of Finance

- Not to exceed par amount of $40M
- Final term of 40 years
- True interest cost (taxable) of 6.88%
- Average annual debt service of $2.7M
- A portion of the impact on property taxes is expected to be reduced by future PASS loan repayments

Project Fund Breakdown by Loan Types

- Market Rate: 60.86%
- Below Market Rate: 33.67%
- Deferred: 5.47%

Estimated Sources	Series 2025E (2016 Preservation & Seismic Safety)
Not-to-Exceed Par Amount	$40,000,000
Estimated Par	$38,255,000
Reserve for Market Uncertainty	$1,745,000
Total Sources	**$40,000,000**
Estimated Uses	
Project Fund Deposit	
Project Fund	$37,398,360
Total Project Fund Deposits	**$37,398,360**
Delivery Date Expenses	
Cost of Issuance	$627,110
CGOBOC Fee	$38,255
Underwriter's Discount	$191,275
Total Delivery Date Expenses	**$856,640**
Reserve for Market Uncertainty	$1,745,000
Total Uses	**$40,000,000**

2016 – PASS 3rd Issuance Request

Series 2025E - Fiscal Impact

Estimated Financing Costs*

- Projected par: **$38,255,000**
- Estimated interest rate (taxable): 6.88%
  - Estimated total interest cost: $71.5 million
  - Estimated total debt service: $109.7 million
  - Estimated Annual Property Tax Impact: $0.05-$0.75 per $100,000 ($0.31-$4.52 for a $600K home)
  - Anticipated final maturity: 6/15/2065

Debt Capacity**

- Certified Net Assessed Valuation for FY24-25 (Net AV): $351.3 billion
  - 3% GO Debt Capacity: $10.5 billion
- GO debt outstanding as of 12/31/24: $2.23 billion (**0.63%** of Net AV)
- GO debt outstanding including proposed 2025E Bonds: $2.27 billion (**0.65%** of Net AV)

Capital Planning Constraint

Issuance of 2025E bonds is consistent with FY2006 property tax rate cap policy.

** Interest rate and cost estimates provided by Public Resources Advisory Group, an MSRB-registered municipal advisory firm*

*** Debt Capacity calculations do not reflect anticipated issuance of $552,030,000 Series 2025ABCD bonds.*

2016 – PASS 3rd Issuance Request

Series 2025E – Financing Schedule

Tentative Financing Schedule	
December 2	**Capital Planning Committee**
January 22	**Board of Supervisors** Budget & Finance Committee
January 28	**Board of Supervisors** Adoption of Sale Resolution 1st Reading of Supplemental Appropriation
February 4	**Board of Supervisors** 2nd Reading of Supplemental Appropriation
Week of February 24th	Tentative Bond Pricing
March 2025	Tentative Sale Closing

Questions?

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance
Min Guo, Office of Public Finance

DATE: Tuesday, December 3, 2024

SUBJECT: **Resolution Authorizing the Issuance and Sale of Not to Exceed $40,000,000 Taxable General Obligation Bonds Series 2025E (Preservation and Seismic Safety, 2016) and Supplemental Appropriation Ordinance**

Recommended Action:

We respectfully request that the Board of Supervisors (the "Board") consider for review and approval the resolution authorizing the third issuance of General Obligation Bonds for the Preservation and Seismic Safety ("PASS") Program with a not-to-exceed par amount of $40,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 – Preservation & Seismic Safety), Series 2025E (the "Bonds"), which will be used to finance the acquisition, improvement, and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to affordable housing in addition to providing financing for seismic improvements of unreinforced masonry buildings.

In connection with this request, legislation approving the sale of this series of bonds, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, December 3, 2024. We request that the items be heard at the scheduled Budget and Finance Committee meeting on January 22, 2025.

Background:

Proposition A (Earthquake Loan Bond Program) was approved by the voters in November 1992. The program, also known as the Seismic Safety Loan Program (or "SSLP"), authorized $350,000,000 of general obligation bonds to provide loans for the seismic strengthening of unreinforced masonry buildings (UMBs). Per the SSLP, the $350,000,000 total authorization was allocated into two separate loan programs; a $150,000,000 below-market rate (BMR) loan program for seismic improvements to affordable housing UMBs, and a $200,000,000 market rate (MR) loan program intended for commercial or other UMBs, as further described below. Currently, $85,684,550 of the original SSLP financing authority remains for future bond issuances.

The SSLP general obligation bond program allowed for two different categories of loans to be made using bond proceeds:

1) Below Market Rate (BMR) Program: The BMR program was structured so that borrowers would pay back the borrowed principal and pay an interest rate at 1/3 of the City's borrowing costs, leaving a net impact to the property tax levy of 2/3 of the interest cost generated by the loan amount. Additionally, $60,000,000 of the BMR program allocation was permitted to be deferred for 20 or 55 years, which resulted in an additional short-term impact to the property tax rolls.

   Of the $150,000,000 originally authorized for the BMR loan program, $116,461,269 has been issued to date, $55,311,240 of which have been deferred loans. This leaves $33,538,731 in available funding authority, of which $4,688,760 is eligible to be deferred.

2) Market Rate (MR) Program: The interest rate for loans under the $200M MR allocation have an interest rate 1% over the true interest cost of the bonds.

   Of the $200,000,000 originally authorized for the MR program, $147,854,181 of bonds have been issued to date, leaving $52,145,819 in available funding authority for MR loans.

The BMR and MR loans have been and will likely continue to be combined to achieve a low-cost blended interest rate and maximize program capacity.

Due to low historical demand for SSLP loans funded through this general obligation bond program, in November 2016 the City's voters approved Proposition C, which amended the 1992 authorization to broaden the scope of the original program. Proposition C added the eligibility to finance the cost to acquire, improve, and rehabilitate and to convert at-risk multi-unit residential buildings to affordable housing, to perform needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. On October 30, 2018, the Board of Supervisors approved Ordinance No. 270-18, amending the Administrative Code to authorize and implement a Seismic Safety Retrofit and Affordable Housing Loan Program[1] to be funded by the sale of the authorized general obligation bonds.

On February 1, 2019, the Board of Supervisors approved Resolution No. 18-1218 authorizing the issuance and sale of not to exceed $260,684,550 aggregate principal amount of General Obligation Bonds (Proposition A, 1992/Proposition C, 2016) also referred to as Preservation and Seismic Safety (PASS) bond program. Of the total authorization, $175,000,000 has been issued to date. All loans funded with proceeds from the first two issuances under the PASS authorization are current on their obligated repayments, with no outstanding defaults or delinquencies. Additionally, projects are required to achieve stabilization prior to closing on PASS financing. This helps to ensure that projects meet the minimum required 1.15 debt service coverage ratio, residential and commercial occupancy and rental achievement, and full funding of all reserves prior to loan closing.

[1] The Seismic Safety Retrofit and Affordable Housing Loan Program (SSRAHLP) is now also referred to as the Preservation and Seismic Safety (PASS) loan program.

Financing Parameters:

The proposed legislation would authorize the sale of the third tranche of bonds under the PASS loan program and approve the appropriation of bond proceeds from that sale.

Table 1 outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Public Resources Advisory Group, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources & Uses of the 2025E General Obligation Bonds

Estimated Sources:	Series 2025E (2016 Preservation and Seismic Safety)
Not-to-Exceed Par Amount	$40,000,000
Estimated Par	$38,255,000
Reserve for Market Uncertainty	$1,745,000
Total Sources	**$40,000,000**
Estimated Uses:	
Project Fund Deposit	
Project Fund	$37,398,360
Total Project Fund Deposits	**$37,398,360**
Delivery Date Expenses	
Cost of Issuance	$627,110
CGOBOC Fee	$38,255
Underwriter's Discount	$191,275
Total Delivery Date Expenses	**$856,640**
Reserve for Market Uncertainty	$1,745,000
Total Uses	**$40,000,000**

Based upon a current market interest rates of 6.88%, which assumes the issuance of the Bonds on a federally taxable basis, the Office of Public Finance estimates average annual debt service of approximately $2,680,000. The projected par amount of $38,255,000 is estimated to generate approximately $71,470,000 in interest payments and approximately $109,730,000 in total debt service over the life of the Bonds. The debt service estimates assume a 40-year term, which the Office of Public Finance and the Mayor's Office of Housing Community Development, in consultation with the City's municipal adviser, determined most closely aligns with the underlying loan repayment term. The final maturity of the Bonds will be on or before June 15, 2065.

Property Tax Impact:

Repayment of annual debt service on the Bonds will be recovered through increases in the annual property tax rate. As previously discussed, borrowers of BMR loans are expected to repay principal and an interest rate at 1/3 of the City's borrowing cost, and borrowers of MR loans are expected to repay the full borrowing cost to the City, plus an additional 1% interest over the City's borrowing costs to cover administrative costs. Therefore, we anticipate a portion of the City's borrowing cost and, subsequently, then a portion of the impact on property taxes, will be reduced due to these loan repayments.

The increase in the property tax rate associated with the Bonds is estimated to range from 0.00005% up to 0.0076%, or $0.05 up to $0.75 per $100,000 of assessed valuation over the anticipated 40-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay additional property taxes to the City estimated to range from $0.31 up to $4.52 per year if the projected $38,255,000 Bonds are sold.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2024-25 is approximately $10.5 billion, based on a net assessed valuation of approximately $351.3 billion. As of November 1, 2024, the City had outstanding approximately $2.23 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.63% of the net assessed valuation for fiscal year 2024-25. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.19% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.02% from 0.63% to 0.65%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, assuming current assessed valuation projections, the property tax rate for general obligation bonds for fiscal year 2024-25 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information:

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, December 3, 2024. The related financing documents—including the Bond Purchase Agreement, Official Notice of Sale, Notice of Intention to Sell, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and other documents—will also be submitted at that time.

Bond Purchase Contract: The City intends to pursue a competitive sale of the Series 2025E Bonds; however, should bond structure or market conditions indicate the preferability of a negotiated transaction, the Bond Purchase Contract details the terms, covenants, and conditions for the sale of the Series 2025E Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Official Notice of Sale: The Official Notice of Sale announces the date and time for a competitive bond sale, including the terms relating to sale of the Series 2025E Bonds; form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2025E Bonds. Pursuant to the Resolution, in a competitive sale the Controller's Office is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Series 2025E Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Series 2025E Bonds. The Official Statement describes the Series 2025E Bonds, including sources and uses of funds; security for the Series 2025E Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent 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 Series 2025E Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Series 2025E Bonds and within seven days of the public offering, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Series 2025E Bonds.

Prior to the distribution of the Preliminary and Final Official Statements, the documents will be thoroughly and critically reviewed by City staff (in consultation with the City's professional advisors, including the City's co-disclosure counsel) to provide the most current material financial and other material information available.

Board members have a responsibility under federal securities laws to ensure that staff is aware of unique information that Board members may have by virtue of their capacity as Board members that would have a material bearing of the capacity of the City to repay the bonds. Board members cannot approve a Preliminary Official Statement if they are aware that it contains material misstatements or omissions. The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve and authorize the use and distribution of the Official Statement by the municipal advisor with respect to the Series 2025E Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

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

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 Series 2025E Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline:

Milestones:	Dates*:
Capital Planning Committee	December 2, 2024
Board of Supervisors Introduction	December 3, 2024
Budget & Finance Committee Hearing	January 22, 2025
Board Approval of Resolution and 1st Reading of Supplemental Appropriation Ordinance	January 28, 2025
Final Board Approval of Supplemental Appropriation Ordinance (2nd Reading)	February 4, 2025
Estimated Sale & Closing	Feb/Mar 2025

**Please note that dates are preliminary and may change.*

Your consideration of this matter is greatly appreciated. Please contact Bridget Katz (Bridget.Katz@sfgov.org), Vishal Trivedi (vishal.trivedi@sfgov.org), or Min Guo (min.guo@sfgov.org) if you have any questions.

CC: Angela Calvillo, Clerk of the Board of Supervisors
Tom Paulino, Mayor's Office
Benjamin McCloskey, Interim Mayor's Budget Director
Andrea Gremer, Mayor's Office of Housing and Community Development
William Wilcox, Mayor's Office of Housing and Community Development
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Greg Wagner, Controller
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

President, District 8
BOARD of SUPERVISORS

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TDD/TTY No. 544-5227

RAFAEL MANDELMAN

PRESIDENTIAL ACTION

Date: 1/16/25

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

☐ Waiving 30-Day Rule (Board Rule No. 3.23)

File No. ______ ______ (Primary Sponsor)

Title. ______

☐ Transferring (Board Rule No 3.3)

File No. ______ ______ (Primary Sponsor)

Title. ______

From: ______ Committee

To: ______ Committee

☒ Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: Dorsey Replacing Supervisor: Melgar

For: 1/22/25 (Date) Budget & Finance (Committee) Meeting

Start Time: ______ End Time: ______

Temporary Assignment: ○ Partial ◉ Full Meeting

Rafael Mandelman, President
Board of Supervisors

From:	Trejo, Sara (MYR)
To:	BOS Legislation, (BOS)
Cc:	Paulino, Tom (MYR); ROUX, KENNETH (CAT); Trivedi, Vishal (CON); Van Degna, Anna (CON); Katz, Bridget (CON); Guo, Min (CON); Tam, Madison (BOS)
Subject:	Mayor -- Resolution -- Sale of Taxable General Obligation Bonds, Series 2025E
Date:	Tuesday, December 3, 2024 2:34:12 PM
Attachments:	01799796 - Resolution Authorizing Issuance and Sale of NTE $40,000,000 Series 2025E Bonds.docx 01799796 - Resolution Authorizing Issuance and Sale of NTE $40,000,000 Series 2025E Bonds.pdf Appendix A - 11.7.2024.pdf GO Series 2025E (PASS, 2016) - Form of Notice of Intention to Sell.pdf GO Series 2025E (PASS, 2016) - Form of Official Notice of Sale.pdf GO Series 2025E (PASS, 2016) - Form of Preliminary Official Statement.pdf GO Series 2025E (PASS, 2016) - Form of Purchase Contract.pdf OPF BoS Memo - PASS GO Resolution 2025E Final.pdf RE Documents for BOS Introduction Taxable General Obligation Bonds Series 2025E.msg

Hello Clerks,

Attached is a Resolution authorizing the issuance and sale of not to exceed $40,000,000 aggregate principal amount of City and County of San Francisco Taxable General Obligation Bonds (Affordable Housing, 2016 - Preservation and Seismic Safety), Series 2025E; prescribing the form and terms of said bonds; providing for the appointment of depositories and other agents of said bonds; providing for the establishment of accounts related to said bonds; authorizing the sale of said bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and the Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Bond Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of said bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to said documents; ratifying certain actions previously taken, as defined herein; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein.

Please note, Supervisor Dorsey is a cosponsor of this item.

Best regards,

Sara Trejo
Legislative Aide
Office of the Mayor
City and County of San Francisco