

File No. 221274

Committee Item No. 12

Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date January 25, 2023

Board of Supervisors Meeting Date January 31, 2023

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| <input type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Notice of Intention to Sell</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Official Notice of Sale</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Preliminary Official Statement</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Draft Purchase Contract</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Form of Appendix A</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>CON Presentation 1/25/2023</u> |
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Completed by: Brent Jalipa Date January 19, 2023

Completed by: Brent Jalipa Date January 26, 2023

1 [Sale of General Obligation Bonds (Social Bonds - Affordable Housing, 2019), Series 2023C -
2 Not to Exceed \$172,000,000]

3 **Resolution authorizing the issuance and sale of not to exceed \$172,000,000 aggregate**
4 **principal amount on a tax-exempt or taxable basis of City and County of San Francisco**
5 **General Obligation Bonds (Social Bonds-Affordable Housing, 2019) Series 2023C;**
6 **prescribing the form and terms of such bonds; providing for the appointment of**
7 **depositories and other agents for such bonds; providing for the establishment of**
8 **accounts and/or subaccounts related to such bonds; authorizing the sale of such**
9 **bonds by competitive or negotiated sale; approving the forms of the Official Notice of**
10 **Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of**
11 **Intention to Sell Bonds; approving the form of the Purchase Contract; approving the**
12 **form of the Preliminary Official Statement and the execution of the Official Statement**
13 **relating to the sale of such bonds; approving the form of the Continuing Disclosure**
14 **Certificate; authorizing and approving modifications to such documents; ratifying**
15 **certain actions previously taken, as defined herein; and granting general authority to**
16 **City officials to take necessary actions in connection with the authorization, issuance,**
17 **sale, and delivery of such bonds, as defined herein.**

18
19 WHEREAS, By Resolution No. 308-19, adopted by the Board of Supervisors (the
20 “Board of Supervisors”) of the City and County of San Francisco (the “City”) on July 9, 2019,
21 and signed by the Mayor (the “Mayor”) on July 12, 2019, it was determined and declared that
22 public interest and necessity demand the construction, development, acquisition,
23 improvement, rehabilitation, preservation, and repair of affordable housing improvements, and
24
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1 related costs necessary or convenient for the foregoing purposes, as further therein described
2 (the “project” or “projects”); and

3 WHEREAS, By Ordinance No. 168-19 passed by the Board of Supervisors on July 30,
4 2019, and signed by the Mayor on July 31, 2019 (together, the “2019 Bond Ordinance”), the
5 Board of Supervisors duly called a special election to be held on November 5, 2019 (the
6 “Proposition A Bond Election”), for the purpose of submitting to the qualified voters of the City
7 such proposition (“Proposition A”) to incur bonded indebtedness of the City in the amount of
8 \$600,000,000 to finance the construction, development, acquisition, improvement,
9 rehabilitation, preservation, and repair of affordable housing improvements, and related costs
10 necessary or convenient for the foregoing purposes and for other matters, and such
11 Proposition A was approved by two-thirds of the qualified voters of the City voting on such
12 proposition, and declaration of such Proposition A Bond Election results was made by the
13 Board of Supervisors pursuant to Resolution No. 523-19 on December 10, 2019, and
14 approved by the Mayor on December 16, 2019; and

15 WHEREAS, The City may establish a loan program (“Loan Program”) to provide loans
16 for the foregoing purposes; and

17 WHEREAS, By Resolution No. 448-20, adopted by the Board of Supervisors on
18 October 6, 2020 and approved by the Mayor on October 9, 2020 (the “Authorizing
19 Resolution”), the City was authorized to issue its General Obligation Bonds in one or more
20 series (Social Bonds - Affordable Housing, 2019) (the “Bonds”) in the not-to-exceed amount of
21 \$600,000,000; and

22 WHEREAS, The City previously issued a portion of the Bonds, Series 2021A in the
23 principal amount of \$254,585,000; and

24 WHEREAS, It is necessary and desirable to deliver a second issue of the Bonds in one
25 or more subseries on a tax-exempt or a taxable basis, in an aggregate principal amount not to

1 exceed \$172,000,000 (the "Series 2023C Bonds"), to finance a portion of the costs of the
2 projects that qualify under Proposition A; and

3 WHEREAS, The Series 2023C Bonds are being issued pursuant to the Authorizing
4 Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government
5 Code (the "Government Code"), the Charter of the City (the "Charter"), the 2019 Bond
6 Ordinance and the Proposition A Bond Election; and

7 WHEREAS, Pursuant to the applicable provisions of the San Francisco Administrative
8 Code (the "Administrative Code") Sections 5.30-5.36, the Citizens' General Obligation Bond
9 Oversight Committee shall conduct an annual review of bond spending and shall provide an
10 annual report on the management of the program to the Mayor and the Board of Supervisors,
11 and, to the extent permitted by law, one tenth of one percent (0.1%) of the gross proceeds of
12 the Series 2023C Bonds shall be deposited in a fund established by the Office of the City
13 Controller (the "Controller") and appropriated by the Board of Supervisors at the direction of
14 the Citizens' General Obligation Bond Oversight Committee to cover the costs of such
15 committee and its review process; and now, therefore, be it

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

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

19 Section 2. Conditions Precedent. All conditions, things and acts required by law to
20 exist, to happen and to be performed precedent to and in connection with the issuance of the
21 Series 2023C Bonds exist, have happened and have been performed in due time, form and
22 manner in accordance with applicable law, and the City is now authorized pursuant to the
23 Proposition A Bond Election, the Authorizing Resolution, the Charter and applicable law to
24 incur indebtedness in the manner and form provided in this Resolution.

1 Section 3. Documents. The documents presented to the Board of Supervisors and on
2 file with the Clerk of the Board of Supervisors or designee thereof (the “Clerk of the Board of
3 Supervisors”) are contained in File No. 221274.

4 Section 4. Issuance and Sale of Series 2023C Bonds; Determination of Certain Terms;
5 Designation. The Board of Supervisors authorizes the issuance and sale of not to exceed
6 \$172,000,000 in aggregate principal amount of Bonds to be designated as “City and County of
7 San Francisco General Obligation Bonds (Social Bonds - Affordable Housing, 2019) Series
8 2023C [and any subseries designation],” for the purposes set forth in the 2019 Bond
9 Ordinance and Proposition A approved by the voters at the Proposition A Bond Election. Prior
10 to issuance, the Series 2023C Bonds may be subdivided into more than one subseries. For
11 purposes of this Resolution, all of such subdivided series in the aggregate are referred to
12 herein as the “Series 2023C Bonds.”

13 The Director of Public Finance of the City or a designee thereof (the “Director of Public
14 Finance”) is authorized to determine, for the Series 2023C Bonds, the sale date, the interest
15 rates, the definitive principal amount, the maturity dates and the redemption dates, if any, and
16 the terms of any optional or mandatory redemption, subject to the other specific provisions of
17 this Resolution, including the following terms and conditions: (a) the Series 2023C Bonds shall
18 not have a true interest cost (as such term is defined in the Official Notice of Sale (as defined
19 in Section 13) for the Series 2023C Bonds) in excess of 12%; and (b) the Series 2023C
20 Bonds shall not have a final maturity date more than 40 years from their date of issuance.
21 The Director of Public Finance is further authorized to give the Series 2023C Bonds such
22 additional or other series designation, or to modify such series designation, as may be
23 necessary or appropriate to distinguish the Series 2023C Bonds from every other series of
24 Bonds and from other bonds issued by the City.

1 Section 5. Authentication and Registration of the Series 2023C Bonds. Each of the
2 Series 2023C Bonds shall be in fully registered form without coupons in denominations of
3 \$5,000 or any integral multiple of that amount. The officers of the City are directed to cause
4 the Series 2023C Bonds to be prepared in sufficient quantity for delivery to or for the account
5 of their purchaser and the Director, Controller’s Office of Public Finance is directed to cause
6 the blanks in the Series 2023C Bonds to be completed in accordance with the Authorizing
7 Resolution, this Resolution, and the Bond Award or Purchase Contract (as defined below), to
8 procure their execution by the proper officers of the City (including by facsimile signature if
9 necessary or convenient, except that any signature for the Clerk of the Board of Supervisors
10 shall be required to be by manual signature) and authentication as provided in this Section,
11 and to deliver the Series 2023C Bonds when so executed and authenticated to the purchaser
12 in exchange for the purchase price, all in accordance with the Authorizing Resolution.

13 The Series 2023C Bonds and the certificate of authentication and registration, to be
14 manually executed by the Treasurer of the City or designee thereof (the “City Treasurer”), and
15 the form of assignment to appear on the Series 2023C Bonds shall be substantially in the
16 form attached as Exhibit A (a copy of which is on file with the Clerk of the Board of
17 Supervisors and which is declared to be a part of this Resolution as if fully set forth in this
18 Resolution), with necessary or appropriate variations, omissions and insertions as permitted
19 or required by this Resolution.

20 Only Series 2023C Bonds bearing a certificate of authentication and registration
21 executed by the City Treasurer shall be valid or obligatory for any purpose or entitled to the
22 benefits of the Authorizing Resolution and this Resolution, and such certificate of the City
23 Treasurer, executed as provided in this Resolution, shall be conclusive evidence that the
24 Series 2023C Bonds so authenticated have been duly authenticated and delivered under, and
25 are entitled to the benefits of, the Authorizing Resolution and this Resolution.

1 The Controller shall assign a distinctive letter, or number, or letter and number to each
2 Series 2023C Bond authenticated and registered by the City Treasurer and shall maintain a
3 record thereof which shall be available for inspection.

4 Section 6. Registration Books. The City Treasurer shall keep or cause to be kept, at
5 the office of the City Treasurer or at the designated office of any registrar appointed by the
6 City Treasurer, separate and sufficient books for the registration and transfer of Series 2023C
7 Bonds, which books shall at all times be open to inspection, and upon presentation for such
8 purpose, the City Treasurer shall, under such reasonable regulations as he or she may
9 prescribe, register or transfer or cause to be registered or transferred, on such books, Series
10 2023C Bonds as provided in this Resolution. The City and the City Treasurer may treat the
11 registered owner of each Series 2023C Bond as its absolute owner for all purposes, and the
12 City and the City Treasurer shall not be affected by any notice to the contrary.

13 Section 7. Transfer or Exchange of Series 2023C Bonds. Any Series 2023C Bond
14 may, in accordance with its terms, be transferred upon the books required to be kept pursuant
15 to the provisions of Section 6, by the person in whose name it is registered, in person or by
16 the duly authorized attorney of such person in writing, upon surrender of such Series 2023C
17 Bond for cancellation, accompanied by delivery of a duly executed written instrument of
18 transfer in a form approved by the City Treasurer.

19 Any Series 2023C Bond may be exchanged at the office of the City Treasurer for a like
20 aggregate principal amount of other authorized denominations of the same interest rate and
21 maturity.

22 Whenever any Series 2023C Bond shall be surrendered for transfer or exchange, the
23 designated City officials shall execute (as provided in Section 5) and the City Treasurer shall
24 authenticate and deliver a new Series 2023C Bond of the same interest rate and maturity in a
25 like aggregate principal amount. The City Treasurer shall require the payment by any bond

1 owner requesting any such transfer of any tax or other governmental charge required to be
2 paid with respect to such transfer or exchange.

3 No transfer or exchange of Series 2023C Bonds shall be required to be made by the
4 City Treasurer during the period from the Record Date (as defined in Section 8(b)) next
5 preceding each interest payment date to such interest payment date or after a notice of
6 redemption shall have been mailed with respect to such Series 2023C Bonds.

7 Section 8. Terms of the Series 2023C Bonds; General Redemption Provisions.

8 (a) Date of the Series 2023C Bonds. The Series 2023C Bonds shall be
9 dated the date of their delivery or such other date (the "Dated Date") as is specified in
10 the Bond Award or the Purchase Contract.

11 (b) Payment of the Series 2023C Bonds. The principal of the Series 2023C
12 Bonds shall be payable in lawful money of the United States of America to their
13 owners, upon surrender at maturity or earlier redemption at the office of the City
14 Treasurer. The interest on the Series 2023C Bonds shall be payable in like lawful
15 money to the person whose name appears on the bond registration books of the City
16 Treasurer as the owner as of the close of business on the last day of the month
17 immediately preceding an interest payment date (the "Record Date"), whether or not
18 such day is a Business Day (as defined below).

19 Except as may be otherwise provided in connection with any book-entry-only
20 system applicable to the Series 2023C Bonds, payment of the interest on any Series
21 2023C Bond shall be made by check mailed on the interest payment date to such
22 owner at such owner's address as it appears on the registration books as of the Record
23 Date; provided, that if any interest payment date occurs on a day that banks in
24 California or New York are closed for business or the New York Stock Exchange is
25 closed for business, then such payment shall be made on the next succeeding day that

1 banks in both California and New York are open for business and the New York Stock
2 Exchange is open for business (each, a "Business Day"); and provided, further, that the
3 registered owner of an aggregate principal amount of at least \$1,000,000 of Series
4 2023C Bonds may submit a written request to the City Treasurer on or before a Record
5 Date preceding an interest payment date for payment of interest on the next
6 succeeding interest payment date and thereafter by wire transfer to a commercial bank
7 located within the United States of America.

8 For so long as any Series 2023C Bonds are held in book-entry form by a
9 securities depository selected by the City pursuant to Section 10, payment shall be
10 made to the registered owner of the Series 2023C Bonds designated by such securities
11 depository by wire transfer of immediately available funds.

12 (c) Interest on the Series 2023C Bonds. The Series 2023C Bonds shall bear
13 interest at rates to be determined upon the sale of the Series 2023C Bonds, calculated
14 on the basis of a 360-day year comprised of twelve 30-day months, payable on June
15 15, 2023 (or such other date as may be designated in the Bond Award or Purchase
16 Contract), and semiannually thereafter on June 15 and December 15 of each year.
17 Each Series 2023C Bond shall bear interest from the interest payment date next
18 preceding the date of its authentication unless it is authenticated as of a day during the
19 period from the Record Date next preceding any interest payment date to the interest
20 payment date, inclusive, in which event it shall bear interest from such interest payment
21 date, or unless it is authenticated on or before the first Record Date, in which event it
22 shall bear interest from the Dated Date; provided, that if, at the time of authentication of
23 any Series 2023C Bond, interest is in default on the Series 2023C Bonds, such Series
24 2023C Bond shall bear interest from the interest payment date to which interest has
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1 previously been paid or made available for payment on the Series 2023C Bonds or
2 from the Dated Date if the first interest payment is not made.

3 (d) Optional Redemption. The Series 2023C Bonds shall be subject to
4 optional redemption prior to maturity as shall be provided in the Official Notice of Sale
5 or the Purchase Contract, as applicable.

6 (e) Mandatory Redemption. The Series 2023C Bonds shall be subject to
7 mandatory redemption as shall be designated by the purchaser pursuant to the terms
8 of the Official Notice of Sale or as designated in the Purchase Contract, as applicable.

9 The principal of and interest on the Series 2023C Bonds subject to mandatory
10 redemption shall be paid from the Series 2023C Bond Subaccount established in
11 Section 9, pursuant to Section 9. In lieu of any such mandatory redemption for Series
12 2023C Bonds, at any time prior to the selection of Series 2023C Bonds for mandatory
13 redemption, the City may apply amounts on deposit in the Series 2023C Bond
14 Subaccount to make such payment to the purchase, at public or private sale, of Series
15 2023C Bonds subject to such mandatory redemption, and when and at such prices not
16 in excess of the principal amount thereof (including sales commission and other
17 charges but excluding accrued interest), as the City may determine.

18 (f) Selection of Series 2023C Bonds for Redemption. Whenever less than
19 all of the outstanding Series 2023C Bonds are called for redemption on any date, the
20 Director of Public Finance will select the maturities of the Series 2023C Bonds to be
21 redeemed in the sole discretion of the Director of Public Finance. Whenever less than
22 all of the outstanding Series 2023C Bonds maturing on any one date are called for
23 redemption, the manner of selection of the portion of such Series 2023C Bonds called
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1 for redemption shall be as specified in the Official Statement for the Series 2023C
2 Bonds.

3 (g) Notice of Redemption. The date on which Series 2023C Bonds that are
4 called for redemption are to be presented for redemption is called the “Redemption
5 Date.” The City Treasurer shall mail, or cause to be mailed, notice of any redemption
6 of Series 2023C Bonds, postage prepaid, to the respective registered owners at the
7 addresses appearing on the bond registration books not less than 20 nor more than 60
8 days prior to the Redemption Date. The notice of redemption shall: (i) state the
9 Redemption Date; (ii) state the redemption price; (iii) state the maturity dates of the
10 Series 2023C Bonds to be redeemed and, if less than all of any such maturity is called
11 for redemption, the distinctive numbers of the Series 2023C Bonds of such maturity to
12 be redeemed, and in the case of any Series 2023C Bonds to be redeemed in part only,
13 the respective portions of the principal amount to be redeemed; (iv) state the CUSIP
14 number, if any, of each Series 2023C Bond to be redeemed; (v) require that such
15 Series 2023C Bonds be surrendered by the owners at the office of the City Treasurer
16 or his or her agent; and (vi) give notice that interest on such Series 2023C Bonds or
17 portions of Series 2023C Bonds to be redeemed will cease to accrue after the
18 Redemption Date. Notice of optional redemption may be conditional upon receipt of
19 funds or other event specified in the notice of redemption as provided in Section 8(j)
20 below.

21 The actual receipt by the owner of any Series 2023C Bond of notice of such
22 redemption shall not be a condition precedent to redemption, and failure to receive
23 such notice, or any defect in such notice so mailed, shall not affect the validity of the
24 proceedings for the redemption of such Series 2023C Bonds or the cessation of
25 accrual of interest on such Series 2023C Bonds on the Redemption Date.

1 Notice of redemption also shall be given, or caused to be given by the City
2 Treasurer, by: (i) registered or certified mail, postage prepaid; (ii) confirmed facsimile
3 transmission; (iii) overnight delivery service; or (iv) to the extent acceptable to the
4 intended recipient, email or similar electronic means, to (A) all organizations registered
5 with the Securities and Exchange Commission as securities depositories, and (B) such
6 other services or organizations as may be required in accordance with the Continuing
7 Disclosure Certificate described in Section 18.

8 The notice or notices required for redemption shall be given by the City
9 Treasurer or any agent appointed by the City. A certificate of the City Treasurer or
10 such other appointed agent of the City that notice of redemption has been given to the
11 owner of any Series 2023C Bond to be redeemed in accordance with this Resolution
12 shall be conclusive against all parties.

13 (h) Series 2023C Redemption Account. At the time the Director of Public
14 Finance determines to optionally call and redeem any of the Series 2023C Bonds, the
15 Controller or his or her agent shall establish a redemption account to be described or
16 known as the “General Obligation Bonds, Series 2023C Redemption Account” (the
17 “Series 2023C Redemption Account”), and prior to or on the Redemption Date there
18 must be set aside in the Series 2023C Redemption Account moneys available for the
19 purpose and sufficient to redeem, as provided in this Resolution, the Series 2023C
20 Bonds designated in such notice of redemption, subject to the provisions of Section 8(j)
21 below. Such moneys must be set aside in the Series 2023C Redemption Account
22 solely for the purpose of, and shall be applied on or after the Redemption Date to,
23 payment of the redemption price of the Series 2023C Bonds to be redeemed upon
24 presentation and surrender of such Series 2023C Bonds. Any interest due on or prior
25 to the Redemption Date may be paid from the Series 2023C Bond Subaccount as

1 provided in Section 9 or from the Series 2023C Redemption Account. Moneys held
2 from time to time in the Series 2023C Redemption Account shall be invested by the
3 City Treasurer pursuant to the City's policies and guidelines for investment of moneys
4 in the general fund (the "General Fund") of the City. If, after all of the Series 2023C
5 Bonds have been redeemed and canceled or paid and canceled, there are moneys
6 remaining in the Series 2023C Redemption Account, such moneys shall be transferred
7 to the General Fund of the City or to such other fund or account as required by
8 applicable law; provided, that if such moneys are part of the proceeds of refunding
9 bonds, such moneys shall be transferred pursuant to the resolution authorizing such
10 refunding bonds.

11 (i) Effect of Redemption. When notice of optional redemption has been
12 given substantially as provided in this Resolution, and when the amount necessary for
13 the redemption of the Series 2023C Bonds called for redemption (principal, premium, if
14 any, and accrued interest to such Redemption Date) is set aside for that purpose in the
15 Series 2023C Redemption Account, the Series 2023C Bonds designated for
16 redemption shall become due and payable on the Redemption Date, and upon
17 presentation and surrender of such Series 2023C Bonds at the place specified in the
18 notice of redemption, such Series 2023C Bonds shall be redeemed and paid at the
19 redemption price out of the Series 2023C Redemption Account. No interest will accrue
20 on such Series 2023C Bonds called for redemption after the Redemption Date and the
21 registered owners of such Series 2023C Bonds shall look for payment of such Series
22 2023C Bonds only to the Series 2023C Redemption Account. All Series 2023C Bonds
23 redeemed shall be canceled immediately by the City Treasurer and shall not be
24 reissued.

1 (j) Conditional Notice of Redemption; Rescission of Redemption. Any notice
2 of optional redemption given as provided in Section 8(g) may provide that such
3 redemption is conditioned upon: (i) deposit in the Series 2023C Redemption Account of
4 sufficient moneys to redeem the Series 2023C Bonds called for optional redemption on
5 the anticipated Redemption Date, or (ii) the occurrence of any other event specified in
6 the notice of redemption. If conditional notice of redemption has been given
7 substantially as provided in this clause, and on the scheduled Redemption Date (A)
8 sufficient moneys to redeem the Series 2023C Bonds called for optional redemption on
9 the Redemption Date have not been deposited in the Series 2023C Redemption
10 Account, or (B) any other event specified in the notice of redemption as a condition to
11 the redemption has not occurred, then (1) the Series 2023C Bonds for which
12 conditional notice of redemption was given shall not be redeemed on the anticipated
13 Redemption Date and shall remain outstanding for all purposes of this Resolution, and
14 (2) the redemption not occurring shall not constitute a default under this Resolution or
15 the Authorizing Resolution.

16 The City may rescind any optional redemption and notice of it for any reason on
17 any date prior to any Redemption Date by causing written notice of the rescission to be
18 given to the owners of all Series 2023C Bonds so called for redemption. Notice of any
19 such rescission of redemption shall be given in the same manner notice of redemption
20 was originally given.

21 The actual receipt by the owner of any Series 2023C Bond of notice of such
22 rescission shall not be a condition precedent to rescission, and failure to receive such
23 notice or any defect in such notice so mailed shall not affect the validity of the
24 rescission.
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1 Section 9. Series 2023C Bond Subaccount. There is established with the City
2 Treasurer a special subaccount in the General Obligation Bonds (Social Bonds – Affordable
3 Housing, 2019) Series 2023C Bond Account (the “Bond Account”) created pursuant to the
4 Authorizing Resolution to be designated as the “General Obligation Bonds, Series 2023C
5 Bond Subaccount” (the “Series 2023C Bond Subaccount”), to be held separate and apart from
6 all other accounts of the City. All interest earned on amounts on deposit in the Series 2023C
7 Bond Subaccount shall be retained in the Series 2023C Bond Subaccount.

8 On or prior to the date on which any payment of principal of or interest on the
9 Series 2023C Bonds is due, including any Series 2023C Bonds subject to mandatory
10 redemption on such date, the City Treasurer shall allocate to and deposit in the Series 2023C
11 Bond Subaccount, from amounts held in the Bond Account, an amount which, when added to
12 any available moneys contained in the Series 2023C Bond Subaccount, is sufficient to pay
13 principal of and interest on the Series 2023C Bonds on such date.

14 On or prior to the date on which any Series 2023C Bonds are to be redeemed at the
15 option of the City pursuant to this Resolution, the City Treasurer may allocate to and deposit
16 in the Series 2023C Redemption Account, from amounts held in the Bond Account pursuant
17 to Section 8 of the Authorizing Resolution, an amount which, when added to any available
18 moneys contained in the Series 2023C Redemption Account, is sufficient to pay principal,
19 interest and premium, if any, with respect to such Series 2023C Bonds on such date. The
20 City Treasurer may make such other provision for the payment of principal of and interest and
21 any redemption premium on the Series 2023C Bonds as is necessary or convenient to permit
22 the optional redemption of the Series 2023C Bonds.

23 Amounts in the Series 2023C Bond Subaccount may be invested in any investment of
24 the City in which moneys in the General Fund of the City are invested. The City Treasurer
25 may (a) commingle any of the moneys held in the Series 2023C Bond Subaccount with other

1 City moneys, or (b) deposit amounts credited to the Series 2023C Bond Subaccount into a
2 separate fund or funds for investment purposes only; provided, that all of the moneys held in
3 the Series 2023C Bond Subaccount shall be accounted for separately notwithstanding any
4 such commingling or separate deposit by the City Treasurer.

5 Section 10. Appointment of Depositories and Other Agents. The City Treasurer is
6 authorized and directed to appoint one or more depositories as he or she may deem desirable
7 and the procedures set forth in Section 5, Section 6, Section 7 and Section 8 relating to
8 registration of ownership of the Series 2023C Bonds and payments and redemption notices to
9 owners of the Series 2023C Bonds may be modified to comply with the policies and
10 procedures of such depository. The City will not have any responsibility or obligation to any
11 purchaser of a beneficial ownership interest in any Series 2023C Bonds or to any participants
12 in such a depository with respect to (a) the accuracy of any records maintained by such
13 securities depository or any participant therein; (b) any notice that is permitted or required to
14 be given to the owners of Series 2023C Bonds under this Resolution; (c) the selection by such
15 securities depository or any participant therein of any person to receive payment in the event
16 of a partial redemption of Series 2023C Bonds; (d) the payment by such securities depository
17 or any participant therein of any amount with respect to the principal or redemption premium,
18 if any, or interest due with respect to Series 2023C Bonds; (e) any consent given or other
19 action taken by such securities depository as the owner of Series 2023C Bonds; or (f) any
20 other matter.

21 The Depository Trust Company (“DTC”) is appointed as depository for the Series
22 2023C Bonds. The Series 2023C Bonds shall be initially issued in book-entry form. Upon
23 initial issuance, the ownership of each Series 2023C Bond shall be registered in the bond
24 register in the name of Cede & Co., as nominee of DTC. So long as each Series 2023C Bond
25 is registered in book-entry form, each Series 2023C Bond shall be registered in the name of

1 Cede & Co. or in the name of such successor nominee as may be designated from time to
2 time by DTC or any successor as depository.

3 The City Treasurer is also authorized and directed to appoint one or more agents as he
4 or she may deem necessary or desirable, to the extent permitted by applicable law and under
5 the supervision of the City Treasurer, such agents may serve as paying agent, fiscal agent,
6 rebate calculation agent, escrow agent or registrar for the Series 2023C Bonds or may assist
7 the City Treasurer in performing any or all of such functions and such other duties as the City
8 Treasurer shall determine. Such agents shall serve under such terms and conditions as the
9 City Treasurer shall determine. The City Treasurer may remove or replace agents appointed
10 pursuant to this paragraph at any time.

11 Section 11. Defeasance Provisions. Payment of all or any portion of the Series 2023C
12 Bonds may be provided for prior to such Series 2023C Bonds' respective stated maturities by
13 irrevocably depositing with the City Treasurer (or any commercial bank or trust company
14 designated by the City Treasurer to act as escrow agent with respect thereto):

15 (a) an amount of cash equal to the principal amount of all of such Series
16 2023C Bonds or a portion thereof, and all unpaid interest thereon to maturity, except
17 that in the case of Series 2023C Bonds which are to be redeemed prior to such Series
18 2023C Bonds' respective stated maturities and in respect of which notice of such
19 redemption shall have been given as provided in Section 8 hereof or an irrevocable
20 election to give such notice shall have been made by the City, the amount to be
21 deposited shall be the principal amount thereof, all unpaid interest thereon to the
22 Redemption Date, and any premium due on such Redemption Date; or

23 (b) Defeasance Securities (as herein defined) not subject to call, except as
24 provided below in the definition thereof, maturing and paying interest at such times and
25 in such amounts; together with interest earnings and cash, if required, as will, without

1 reinvestment, as certified by an independent certified public accountant, be fully
2 sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption
3 Date, as the case may be, and any premium due on the Series 2023C Bonds to be
4 paid or redeemed, as such principal and interest come due; provided, that, in the case
5 of the Series 2023C Bonds which are to be redeemed prior to maturity, notice of such
6 redemption shall be given as provided in Section 8 hereof or an irrevocable election to
7 give such notice shall have been made by the City; then, all obligations of the City with
8 respect to such outstanding Series 2023C Bonds shall cease and terminate, except
9 only the tax covenants under Section 25 and the obligation of the City to pay or cause
10 to be paid from the funds deposited pursuant to clause (a) or (b) of this Section 11, to
11 the owners of such Series 2023C Bonds all sums due with respect thereto; and
12 provided further, that the City shall have received an opinion of nationally recognized
13 bond counsel, that provision for the payment of such Series 2023C Bonds has been
14 made in accordance with this Section 11.

15 For purposes of this Section 11, "Defeasance Securities" shall mean any of the
16 following that at the time are legal investments under the laws of the State of California for the
17 moneys proposed to be invested therein:

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

19 (ii) Pre-refunded fixed interest rate municipal obligations meeting the
20 following conditions: (A) the municipal obligations are not subject to redemption
21 prior to maturity, or the trustee or paying agent has been given irrevocable
22 instructions concerning their calling and redemption and the issuer has
23 covenanted not to redeem such obligations other than as set forth in such
24 instructions; (B) the municipal obligations are secured by cash and/or United
25 States Obligations; (C) the principal of and interest on the United States

1 Obligations (plus any cash in the escrow fund or the redemption account) are
2 sufficient to meet the liabilities of the municipal obligations; (D) the United States
3 Obligations serving as security for the municipal obligations are held by an
4 escrow agent or trustee; (E) the United States Obligations are not available to
5 satisfy any other claims, including those against the trustee or escrow agent;
6 and (F) the municipal obligations are rated (without regard to any numerical
7 modifier, plus or minus sign or other modifier), at the time of original deposit to
8 the escrow fund, by any two Rating Agencies (as defined below) not lower than
9 the rating then maintained by such Rating Agencies on such United States
10 Obligations.

11 For purposes of this Section 11, "United States Obligations" means (i) direct and
12 general obligations of the United States of America, or obligations that are unconditionally
13 guaranteed as to principal and interest by the United States of America, including, without
14 limitation, the interest component of Resolution Funding Corporation ("REFCORP") bonds that
15 have been stripped by request to the Federal Reserve Bank of New York in book-entry form
16 or (ii) any security issued by an agency or instrumentality of the United States of America that
17 is selected by the Director of Public Finance that results in the escrow fund being rated by any
18 two Rating Agencies, at the time of the initial deposit to the escrow fund and upon any
19 substitution or subsequent deposit to the escrow fund, not lower than the rating then
20 maintained by the respective Rating Agency on United States Obligations described in clause
21 (i) above.

22 For purposes of this Section 11, "Rating Agencies" shall mean Moody's Investors
23 Service, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond
24 rating agency that is the successor to any of the foregoing rating agencies or that is otherwise
25 established after the date hereof.

1 Section 12. Sale of Series 2023C Bonds By Competitive or Negotiated Sale. The
2 Board of Supervisors authorizes the sale of the Series 2023C Bonds by solicitation of
3 competitive bids or by negotiated sale to one or more underwriters to be appointed in
4 accordance with City policies, if so determined by the Director of Public Finance.

5 Section 13. Official Notice of Sale; Receipt of Bids; Bond Award.

6 (a) Official Notice of Sale. The form of proposed Official Notice of Sale
7 inviting bids for the Series 2023C Bonds (the “Official Notice of Sale”) submitted to the
8 Board of Supervisors is approved and adopted as the Official Notice of Sale inviting
9 bids for the Series 2023C Bonds, with such changes, additions and modifications as
10 may be made in accordance with Section 19. The Director of Public Finance is
11 authorized and directed to cause to be mailed or otherwise circulated to prospective
12 bidders for the Series 2023C Bonds copies of the Official Notice of Sale, subject to
13 such corrections, revisions or additions as may be acceptable to the Director of Public
14 Finance.

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

17 (c) Bond Award. As provided in the Official Notice of Sale, the City may
18 reject any and all bids received for any reason. The Controller or the Director of Public
19 Finance is authorized to award the Series 2023C Bonds to the responsible bidder
20 whose bid (i) is timely received and conforms to the Official Notice of Sale, except to
21 the extent informalities and irregularities are waived by the City as permitted by the
22 Official Notice of Sale; and (ii) represents the lowest true interest cost to the City in
23 accordance with the procedures described in the Official Notice of Sale. The award, if
24 made, shall be set forth in a certificate signed by the Controller or the Director of Public
25 Finance setting forth the terms of the Series 2023C Bonds and the original purchasers

1 (the “Bond Award”). The Director of Public Finance shall provide a copy of the Bond
2 Award, if such award is not signed by the Controller, as soon as practicable to the
3 Controller; provided, that failure to provide such copy shall not affect the validity of the
4 Bond Award.

5 Section 14. Publication of Notice of Intention to Sell Bonds. If the Series 2023C Bonds
6 are sold through a solicitation of competitive binds, then the form of proposed Notice of
7 Intention to Sell the Series 2023C Bonds (the “Notice of Intention to Sell Bonds”) submitted to
8 the Board of Supervisors is approved and adopted as the Notice of Intention to Sell the Series
9 2023C Bonds, and the Director of Public Finance is authorized and directed to cause the
10 Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as may be
11 made in accordance with Section 19, to be published once in *The Bond Buyer* or another
12 financial publication generally circulated throughout the State of California meeting the
13 requirements of Section 53692 of the Government Code at least five (5) days prior to the date
14 fixed for receipt of bids for the Series 2023C Bonds, or as otherwise set forth in Section 53692
15 of the Government Code.

16 Section 15. Authorization of Negotiated Sale; Authorization to Select Underwriters;
17 Form of Purchase Contract Approval. The Director of Public Finance, in consultation with the
18 Controller, or the Controller is hereby authorized to conduct the sale of the Series 2023C
19 Bonds by negotiated sale pursuant to one or more Purchase Contracts (each, a “Purchase
20 Contract”), each by and between the City and the underwriter(s) named therein (the
21 “Underwriters”), if the Controller determines that such manner of sale is in the best financial
22 interest of the City because the City will be able to obtain market and structuring advice from
23 the underwriters and flexibility as to timing of sale and ability to premarket bonds, such
24 determination to be conclusively evidenced by the execution and delivery of such Purchase
25 Contract as hereinafter approved. The form of such Purchase Contract as presented to this

1 Board of Supervisors, a copy of which is on file with the Clerk of the Board of Supervisors, is
2 hereby approved. The Controller or the Director of Public Finance is hereby authorized to
3 execute such Purchase Contract with such changes, additions and modifications as the
4 Controller or the Director of Public Finance may make or approve in accordance with Section
5 19 hereof; provided however, that the Underwriters' discount under any such Purchase
6 Contract shall not exceed 1.0% of the principal amount of the Series 2023C Bonds. In order
7 to facilitate the sale of the Series 2023C Bonds by negotiated sale, the Controller or the
8 Director of Public Finance is hereby authorized and directed to appoint one or more financial
9 institutions to act as underwriter for the Series 2023C Bonds.

10 Section 16. Disposition of Proceeds of Sale. The proceeds of sale of the Series
11 2023C Bonds shall be applied by the City Treasurer as follows: (a) accrued interest, if any,
12 shall be deposited into the Series 2023C Bond Subaccount; (b) premium, if any, shall be
13 deposited into the Series 2023C Bond Subaccount in such amount not to exceed three years
14 of interest on the Series 2023C Bonds; and (c) remaining proceeds of sale shall be deposited
15 into the Project Account established under Resolution No. 448-20.

16 Section 17. Preliminary Official Statement and Official Statement. The form of
17 proposed Preliminary Official Statement describing the Series 2023C Bonds (the "Preliminary
18 Official Statement") submitted to the Board of Supervisors is approved and adopted as the
19 Preliminary Official Statement describing the Series 2023C Bonds, with such additions,
20 corrections and revisions as may be determined to be necessary or desirable made in
21 accordance with Section 19. The Controller or the Director of Public Finance is authorized to
22 cause the distribution of a Preliminary Official Statement deemed final for purposes of
23 Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities
24 Exchange Act of 1934, as amended (the "Rule"), and to sign a certificate to that effect. The
25 Director of Public Finance is authorized and directed to cause to be printed and mailed or

1 electronically distributed to prospective bidders for the Series 2023C Bonds the Preliminary
2 Official Statement in substantially the form of the Preliminary Official Statement approved and
3 adopted by this Resolution, as completed, supplemented, corrected or revised. The
4 Controller or the Director of Public Finance is authorized and directed to approve, execute,
5 and deliver the final Official Statement with respect to the Series 2023C Bonds, which final
6 Official Statement shall be in the form of the Preliminary Official Statement, with such
7 additions, corrections and revisions as may be determined to be necessary or desirable made
8 in accordance with Section 19 and as are permitted under the Rule. The Director of Public
9 Finance is authorized and directed to cause to be printed and mailed or electronically
10 distributed the final Official Statement to all actual initial purchasers of the Series 2023C
11 Bonds.

12 Section 18. Continuing Disclosure Certificate. The form of Continuing Disclosure
13 Certificate (the "Continuing Disclosure Certificate"), to be signed by the City to permit the
14 original purchasers of the Series 2023C Bonds to comply with the Rule, submitted to the
15 Board of Supervisors is approved and adopted as the Continuing Disclosure Certificate, with
16 such additions, corrections and revisions as may be determined to be necessary or desirable
17 made in accordance with Section 19. The Controller is authorized and directed to execute the
18 Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure
19 Certificate to the original purchasers of the Series 2023C Bonds.

20 Section 19. Modification to Documents. Any City official authorized by this Resolution
21 to execute any document is further authorized, in consultation with the City Attorney and co-
22 bond counsel, to approve and make such changes, additions, amendments or modifications to
23 the document or documents such official is authorized to execute as may be necessary or
24 advisable (provided, that such changes, additions, amendments or modifications shall not
25 authorize an aggregate principal amount of Series 2023C Bonds in excess of \$172,000,000 or

1 conflict with the provisions of Section 4). The approval of any change, addition, amendment
2 or modification to any of the aforementioned documents shall be evidenced conclusively by
3 the execution and delivery of the document in question.

4 Section 20. Ratification. All actions previously taken by officials, employees and
5 agents of the City with respect to the sale and issuance of the Series 2023C Bonds,
6 consistent with any documents presented and this Resolution, are approved, confirmed and
7 ratified.

8 Section 21. Relationship to Authorizing Resolution. In the event of any conflict
9 between this Resolution and the Authorizing Resolution, the terms of this Resolution shall
10 control. Without limiting the foregoing and notwithstanding the provisions of the Authorizing
11 Resolution, the City is not obligated to transfer money from the General Fund of the City to the
12 Bond Account to pay the principal of or interest on the Series 2023C Bonds.

13 Section 22. Accountability Reports. The Series 2023C Bonds are subject to
14 accountability requirements under the Administrative Code and the 2019 Bond Ordinance.
15 The deadline for submission of the Accountability report(s) under Administrative Code
16 Sections 2.71(a) and 2.71(b) are hereby waived with respect to the Series 2023C Bonds.
17 Accountability report(s) with respect to the Series 2023C Bonds shall be submitted in all other
18 respects in the manner required by the Administrative Code and the 2019 Bond Ordinance.

19 Section 23. Covenants to Maintain Tax-Exempt Status. The following covenants shall
20 be applicable to any Series 2023C Bonds (including any subseries) issued as bonds the
21 interest on which is intended to be excludable from gross income for federal or state income
22 tax purposes:

23 (a) Definitions. When used in this Section, the following terms have the
24 following meanings:

1 “*Closing Date*” means the date on which the Series 2023C Bonds are first
2 authenticated and delivered to the initial purchasers against payment therefor.

3 “*Code*” means the Internal Revenue Code of 1986, as amended by all
4 legislation, if any, effective on or before the Closing Date.

5 “*Computation Date*” has the meaning set forth in Section 1.148-1(b) of the
6 Regulations.

7 “*Final Computation Date*” has the meaning set forth in Section 1.148-3(e)(2) of
8 the Regulations.

9 “*Gross Proceeds*” means any proceeds as defined in Section 1.148-1(b) of the
10 Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the
11 Regulations, of the Series 2023C Bonds.

12 “*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

13 “*Nonpurpose Investment*” means any investment property, as defined in
14 Section 148(b) of the Code, in which Gross Proceeds of the Series 2023C Bonds are
15 invested and which is not acquired to carry out the governmental purposes of the
16 Series 2023C Bonds.

17 “*Rebate Amount*” has the meaning set forth in Section 1.148-1(b) of the
18 Regulations.

19 “*Regulations*” means any proposed, temporary, or final Income Tax Regulations
20 issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the
21 Internal Revenue Code of 1954, which are applicable to the Series 2023C Bonds. Any
22 reference to any specific Regulation shall also mean, as appropriate, any proposed,
23 temporary or final Income Tax Regulation designed to supplement, amend or replace
24 the specific Regulation referenced.

25 “*Yield*” of:

1 (i) any Investment has the meaning set forth in Section 1.148-5 of the
2 Regulations; and

3 (ii) the Series 2023C Bonds has the meaning set forth in
4 Section 1.148-4 of the Regulations.

5 (b) Not to Cause Interest to Become Taxable. The City shall not use, permit
6 the use of, or omit to use Gross Proceeds or any other amounts (or any property the
7 acquisition, construction or improvement of which is to be financed directly or indirectly
8 with Gross Proceeds) in a manner which if made or omitted, respectively, would cause
9 the interest on any Series 2023C Bond to become includable in the gross income, as
10 defined in Section 61 of the Code, of the owner thereof for federal income tax
11 purposes. Without limiting the generality of the foregoing, unless and until the City
12 receives a written opinion of counsel nationally recognized in the field of municipal
13 bond law to the effect that failure to comply with such covenant will not adversely affect
14 the exemption from federal income tax of the interest on any Series 2023C Bond, the
15 City shall comply with each of the specific covenants in this Section.

16 (c) No Private Use or Private Payments. Except as permitted by Section 141
17 of the Code and the Regulations and rulings thereunder, the City shall at all times prior
18 to the final payment on the Series 2023C Bonds:

19 (i) exclusively own, operate and possess all property, the acquisition,
20 construction or improvement of which is to be financed or refinanced directly or
21 indirectly with Gross Proceeds of the Series 2023C Bonds, and not use or
22 permit the use of such Gross Proceeds (including all contractual arrangements
23 with terms different than those applicable to the general public) or any property
24 acquired, constructed or improved with such Gross Proceeds in any activity
25 carried on by any person or entity (including the United States or any agency,

1 department and instrumentality thereof) other than a state or local government,
2 unless such use is solely as a member of the general public; and

3 (ii) not directly or indirectly impose or accept any charge or other
4 payment by any person or entity who is treated as using Gross Proceeds of the
5 Series 2023C Bonds or any property the acquisition, construction or
6 improvement of which is to be financed or refinanced directly or indirectly with
7 such Gross Proceeds, other than taxes of general application within the City or
8 interest earned on investments acquired with such Gross Proceeds pending
9 application for their intended purposes.

10 (d) No Private Loan. Except to the extent permitted by Section 141 of the
11 Code and the Regulations and rulings thereunder, the City shall not use Gross
12 Proceeds of the Series 2023C Bonds to make or finance loans to any person or entity
13 other than a state or local government. For purposes of the foregoing covenant, such
14 Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property
15 acquired, constructed or improved with such Gross Proceeds is sold or leased to such
16 person or entity in a transaction which creates a debt for federal income tax purposes;
17 (ii) capacity in or service from such property is committed to such person or entity
18 under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits,
19 or burdens and benefits of ownership, of such Gross Proceeds or any property
20 acquired, constructed or improved with such Gross Proceeds are otherwise transferred
21 in a transaction which is the economic equivalent of a loan.

22 (e) Not to Invest at Higher Yield. Except to the extent permitted by
23 Section 148 of the Code and the Regulations and rulings thereunder, the City shall not
24 at any time prior to the final stated maturity of the Series 2023C Bonds directly or
25 indirectly invest Gross Proceeds in any Investment, if as a result of such investment the

1 Yield of any Investment acquired with Gross Proceeds, whether then held or previously
2 disposed of, exceeds the Yield of the Series 2023C Bonds.

3 (f) Not Federally Guaranteed. Except to the extent permitted by
4 Section 149(b) of the Code and the Regulations and rulings thereunder, the City shall
5 not take or omit to take any action which would cause the Series 2023C Bonds to be
6 federally guaranteed within the meaning of Section 149(b) of the Code and the
7 Regulations and rulings thereunder.

8 (g) Information Report. The City shall timely file the information required by
9 Section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such
10 other form and in such place as the Secretary may prescribe.

11 (h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in
12 Section 148(f) of the Code and the Regulations and rulings thereunder:

13 (i) The City shall account for all Gross Proceeds (including all
14 receipts, expenditures and investments thereof) on its books of account
15 separately and apart from all other funds (and receipts, expenditures and
16 investments thereof) and shall retain all records of accounting for at least six
17 years after the day on which the last outstanding Bond is discharged. However,
18 to the extent permitted by law, the City may commingle Gross Proceeds of the
19 Series 2023C Bonds with other money of the City; provided that the City
20 separately accounts for each receipt and expenditure of Gross Proceeds and
21 the obligations acquired therewith.

22 (ii) Not less frequently than each Computation Date, the City shall
23 calculate the Rebate Amount in accordance with rules set forth in Section 148(f)
24 of the Code and the Regulations and rulings thereunder. The City shall maintain
25 such calculations with its official transcript of proceedings relating to the

1 issuance of the Series 2023C Bonds until six years after the Final Computation
2 Date.

3 (iii) As additional consideration for the purchase of the Series 2023C
4 Bonds by the initial purchasers and the loan of the money represented thereby
5 and in order to induce such purchase by measures designed to ensure the
6 excludability of the interest thereon from gross income for federal income tax
7 purposes, the City shall pay to the United States the amount that when added to
8 the future value of previous rebate payments made for the Series 2023C Bonds
9 equals (i) in the case of a Final Computation Date, 100% of the Rebate Amount
10 on such date; and (ii) in the case of any other Computation Date, 90% of the
11 Rebate Amount on such date. In all cases, the rebate payments shall be made
12 at the times, in the installments, to the place and in the manner as is or may be
13 required by Section 148(f) of the Code and the Regulations and rulings
14 thereunder, and shall be accompanied by Form 8038-T or such other forms and
15 information as is or may be required by Section 148(f) of the Code and the
16 Regulations and rulings thereunder.

17 (iv) The City shall exercise reasonable diligence to assure that no
18 errors are made in the calculations and payments required by paragraphs (ii)
19 and (iii), and if an error is made, to discover and promptly correct such error
20 within a reasonable amount of time thereafter (and in all events within 180 days
21 after discovery of the error), including payment to the United States of any
22 additional Rebate Amount owed to it, interest thereon, and any penalty imposed
23 under Section 1.148-3(h) of the Regulations.

24 (i) Not to Divert Arbitrage Profits. Except to the extent permitted by
25 Section 148 of the Code and the Regulations and rulings thereunder, the City shall not,

1 at any time prior to the final payment on the Series 2023C Bonds, enter into any
2 transaction that reduces the amount required to be paid to the United States pursuant
3 to Section 25(h) above because such transaction results in a smaller profit or a larger
4 loss than would have resulted if the transaction had been at arm's length and had the
5 Yield of the Series 2023C Bonds not been relevant to either party.

6 (j) Elections. The City directs and authorizes the Director of Public Finance
7 and the Controller, either or any combination of them, to make elections permitted or
8 required pursuant to the provisions of the Code or the Regulations, as they deem
9 necessary or appropriate in connection with the Series 2023C Bonds, in the Certificate
10 as to Tax Exemption or similar or other appropriate certificate, form or document.

11 Section 24. Reimbursement. The City declares its official intent to reimburse prior
12 expenditures of the City incurred prior to the issuance and sale of the Series 2023C Bonds in
13 connection with the project or portions thereof to be financed by the Series 2023C Bonds. The
14 Board of Supervisors declares the City's intent to reimburse the City with the proceeds of the
15 Series 2023C Bonds for the expenditures with respect to the project (the "Expenditures" and
16 each an "Expenditure") made on and after that date that is no more than 60 days prior to
17 adoption of this Resolution. The City reasonably expects on the date of adoption of this
18 Resolution that it will reimburse the Expenditures with the proceeds of the Series 2023C
19 Bonds.

20 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
21 account under general federal income tax principles (determined in each case as of the date
22 of the Expenditure), (b) a cost of issuance with respect to the Series 2023C Bonds, (c) a
23 nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a
24 party that is not related to or an agent of the City so long as such grant does not impose any
25 obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the

1 City. The maximum aggregate principal amount of the Series 2023C Bonds expected to be
2 issued for the project is \$172,000,000. The City shall make a reimbursement allocation, which
3 is a written allocation by the City that evidences the City's use of proceeds of the Series
4 2023C Bonds to reimburse an Expenditure, no later than 18 months after the later of the date
5 on which the Expenditure is paid or the project is placed in service or abandoned, but in no
6 event more than three years after the date on which the Expenditure is paid. The City
7 recognizes that exceptions are available for certain "preliminary expenditures," costs of
8 issuance, certain *de minimis* amounts, expenditures by "small issuers" (based on the year of
9 issuance and not the year of expenditure) and expenditures for construction projects of at
10 least 5 years.

11 Section 25. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
12 City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each
13 authorized and directed in the name and on behalf of the City to take any and all steps and to
14 issue, deliver or enter into any and all certificates, requisitions, agreements, notices, consents,
15 and other documents as may be necessary to give effect to the provisions of this Resolution,
16 including but not limited to a private placement agreement and investor letter, tax compliance
17 certificates and letters of representations to any depository or depositories, which they or any
18 of them might deem necessary or appropriate in order to consummate the lawful issuance,
19 sale and delivery of the Series 2023C Bonds. Any such actions are solely intended to further
20 the purposes of this Resolution, and are subject in all respects to the terms of this Resolution.
21 No such actions shall increase the risk to the City or require the City to spend any resources
22 not otherwise granted herein. Final versions of any such documents shall be provided to the

23 ///

24 ///

25

1 Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon
2 thereafter as final documents are available) of execution by all parties.

3 APPROVED AS TO FORM:
4 DAVID CHIU, City Attorney

5 By: /s/ MARK D. BLAKE
6 MARK D. BLAKE
7 Deputy City Attorney

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1 EXHIBIT A
2 FORM OF BOND
3

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

12 Number Principal Amount
13 R-__ UNITED STATES OF AMERICA \$_____
14 STATE OF CALIFORNIA
15 CITY AND COUNTY OF SAN FRANCISCO
16 GENERAL OBLIGATION BONDS
17 (SOCIAL BONDS - AFFORDABLE HOUSING, 2019)
18 SERIES 2023C

18 Interest Rate Maturity Date Dated Date CUSIP Number
19 _____
20 _____

21 REGISTERED OWNER: Cede & Co.

22 PRINCIPAL AMOUNT: _____

23 The City and County of San Francisco, State of California (the "City"), acknowledges itself
24 indebted to and promises to pay to the Registered Owner specified above or registered assigns,
25 on the Maturity Date specified above, the Principal Amount of this Bond specified above in

1 lawful money of the United States of America, and to pay interest on the Principal Amount in
2 like lawful money from the Interest Payment Date (as defined below) next preceding the date
3 of authentication of this Bond (unless this Bond is authenticated as of the day during the period
4 from the last day of the month immediately preceding any Interest Payment Date (the “Record
5 Date”) to such Interest Payment Date, inclusive, in which event it shall bear interest from such
6 Interest Payment Date, or unless this Bond is authenticated on or before June 15, 2023, in
7 which event it shall bear interest from its Dated Date (specified above) until payment of such
8 Principal Amount, at the Interest Rate per year specified above calculated on the basis of a
9 360-day year comprised of twelve 30-day months, payable on June 15, 2023 and semiannually
10 thereafter on June 15 and December 15 in each year (each, an “Interest Payment Date”);
11 *provided*, that if any Interest Payment Date occurs on a day that banks in California or New
12 York are closed for business or the New York Stock Exchange is closed for business, then such
13 payment shall be made on the next succeeding day that banks in both California and New York
14 are open for business and the New York Stock Exchange is open for business (a “Business
15 Day”). The Principal Amount of this Bond is payable to the Registered Owner of this Bond upon
16 the surrender of this Bond at the office of the Treasurer of the City (the “City Treasurer”) in San
17 Francisco, California. The interest on this Bond is payable to the person whose name appears
18 on the Bond registration books of the City Treasurer as the Registered Owner of this Bond as
19 of the close of business on the Record Date immediately preceding an Interest Payment Date,
20 whether or not such day is a Business Day, such interest to be paid by check mailed on the
21 Interest Payment Date to such Registered Owner at the owner’s address as it appears on such
22 registration books; *provided*, that the Registered Owner of Bonds in an aggregate principal
23 amount of at least \$1,000,000 may submit a written request to the City Treasurer on or before
24 the Record Date preceding any Interest Payment Date for payment of interest by wire transfer
25 to a commercial bank located in the United States of America.

1 This Bond is one of a duly authorized issue of City and County of San Francisco General
2 Obligation Bonds (Social Bonds-Affordable Housing, 2019) Series 2023C (the “Bonds”) of like
3 tenor (except for such variations, if any, as may be required to designate varying numbers,
4 denominations, interest rates and maturities), in the aggregate principal amount of
5 \$_____, which is part of a bond authorization in the aggregate original principal amount
6 of \$425,000,000 authorized by the affirmative votes of more than two-thirds of the voters voting
7 at a special election duly and legally called, held and conducted in the City on November 6,
8 2018 and is issued and sold by the City pursuant to and in strict conformity with the provisions
9 of the Constitution and laws of the State of California, the Charter of the City and a Resolution
10 of Necessity adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on
11 June 12, 2018, and duly approved by the Mayor of the City on June 20, 2018, and Resolution
12 No. _____, adopted by the Board of Supervisors on _____, 20__ and duly approved by
13 the Mayor of the City on _____, 20__ (together with the related Certificate Awarding the
14 Bonds and Fixing Definitive Interest Rates for the Bonds, dated _____, 20__, the
15 “Resolutions”).

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

22 This Bond is transferable by its Registered Owner, in person or by its attorney duly
23 authorized in writing, at the office of the City Treasurer, but only in the manner, subject to the
24 limitations and upon payment of the charges provided in the Resolutions, and upon surrender
25 and cancellation of this Bond. Upon such transfer, a new Bond or Bonds of authorized

1 denomination or denominations for the same interest rate and same aggregate principal amount
2 will be issued to the transferee in exchange for this Bond.

3 No transfer or exchange of the Bonds shall be required to be made by the City Treasurer
4 during the period from the Record Date next preceding each Interest Payment Date to such
5 Interest Payment Date or after a notice of redemption shall have been mailed with respect to
6 such Bonds.

7 Bonds maturing on and before June 15, 20__, will not be subject to optional redemption
8 prior to their respective maturity dates. The Bonds maturing on or after June 15, 20__ will be
9 subject to optional redemption prior to their respective stated maturity dates, at the option of the
10 City, from any source of available funds, as a whole or in part on any date (with the maturities
11 to be redeemed to be determined by the City and by lot within a maturity), on or after June 15,
12 20__, at the redemption price equal to the principal amount of the Bonds redeemed, together
13 with accrued interest to the date fixed for redemption, without premium. If less than all of the
14 outstanding Bonds are to be redeemed, they may be redeemed in any order of maturity as
15 determined by the Director of Finance. If less than all of the outstanding Bonds of a maturity
16 are to be redeemed, the Bonds or portions of Bonds of such maturity to be redeemed shall be
17 selected Director of Public Finance, in authorized denominations of \$5,000 or integral multiples
18 of that amount, from among Bonds of that maturity not previously called for redemption, by lot,
19 in any manner which the Director of Public Finance deems fair.

20 Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on
21 June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective
22 amount provided in the [Official Notice of Sale/the Purchase Contract] for the Bonds.

23 Bonds maturing on June 15, 20__, are subject to mandatory sinking fund redemption on
24 June 15 of each of the years 20__ through 20__, inclusive, and at maturity in the respective
25 amount provided in the [Official Notice of Sale/the Purchase Contract] for the Bonds.

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

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

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

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

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

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

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

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

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

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

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

4 _____
5 Mayor of the
6 City and County of San Francisco

7 Countersigned:
8 _____
9 _____
10 _____
11 Clerk of the Board of Supervisors

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CERTIFICATE OF REGISTRATION AND AUTHENTICATION

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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

1 **ASSIGNMENT**

2
3 FOR VALUE RECEIVED the undersigned do(es) hereby sell, assign and transfer unto

4 _____
5 _____

6
7 **(Please print or typewrite Name, Address, and Tax Identification or Social**
8 **Security Number of Assignee/Transferee)**

9 the within-mentioned registered bond and all rights thereunder and hereby irrevocably
10 constitute(s) and appoint(s) _____ attorney to
11 transfer the same on the books of the paying agent with full power of substitution in the
12 premises.

13 Dated:

14 _____
15 NOTICE: The signature to this assignment
16 must correspond with the name as it appears
17 upon the face of the within bond in every
18 particular, without alteration or enlargement
19 or any change whatsoever.

20 Signature Guaranteed:

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

| | |
|---|--|
| Items 9-12 Files 22-1265, 22-1266, 22-1273 and 22-1274 | Department: Office of Public Finance |
|---|--|

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions and ordinance would authorize actions and documents associated with the issuance and sale of the Series 2023ABC Bond, which includes: (1) \$30 million of the 2020 Health and Recovery General Obligation Bonds; (2) \$42 million of the 2018 Embarcadero Seawall Earthquake Safety General Obligation Bonds; (3) \$172 million of the 2019 Affordable Housing General Obligation Bonds; and, (4) the appropriation of \$244 million in corresponding bond proceeds.

Key Points

- This is the second issuance of the 2020 Health and Recovery bonds and \$28.5 million in proceeds will go to the Recreation and Parks Department for use toward improvements to City parks and recreation facilities and supporting Rec and Park programs, such as the Community Opportunity Fund, Community Gardens, and Playgrounds.
- This is the second issuance of the 2018 Embarcadero Sewall bonds and \$38.6 million in proceeds will go to the Port of San Francisco to be used toward seawall and marginal wharf repair project costs, including but not limited to, labor, program management, a flood study, and the predesign and detailed design for selected projects.
- This is the second issuance of the 2019 Affordable Housing bonds and \$166.3 million in proceeds will go to the Mayor’s Office of Housing and Community Development to support replacement and production of new public housing, low-income, and senior housing units as well as fund the Down-payment Assistance Loan Program.

Fiscal Impact

- If approved, the total project average annual debt service would be \$18,600,000 and the total debt service over the 25-year life of the bonds is estimated at \$469,653,000.
- The proposed transaction complies with the City’s financial policies related to general obligation bond debt.

Recommendation

- Approve the proposed resolutions and ordinance.

MANDATE STATEMENT

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. General obligation bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

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**Health and Recovery General Obligation Bond**

San Francisco voters approved \$487.5 million in Health and Recovery General Obligation Bonds in November 2020 (2020 Health and Recovery Proposition A) to fund investments in supportive housing facilities, shelters, and facilities that provide services to people experiencing mental health and substance use disorders, and/or homelessness; improve accessibility and quality of parks, open spaces, and recreational facilities in the City; and, improve the accessibility, safety and conditions of the City's streets. Proceeds from these bonds are intended to help stimulate the local economy and aid in recovery following the economic downturn as a result of the COVID-19 public health emergency.

The Board of Supervisors approved issuance of \$425 million in Health and Recovery Bonds in May 2021 (File 21-0388). Of the \$425 million approved in 2021, \$169.32 million was for Recreation and Parks projects, of which \$33.16 had been encumbered as of December 2022.¹ From the voter-approved \$487.5 million authorization, \$258.5 million of bonds have been issued to date, and \$229 million remains unissued.

Embarcadero Seawall Earthquake Safety General Obligation Bond

San Francisco voters approved the \$425 million Embarcadero Seawall Earthquake Safety General Obligation Bonds in 2018 to fund the construction, seismic strengthening, and repair of the Embarcadero Seawall and other infrastructure with the goal of protecting the waterfront, BART and Muni, buildings, historic piers, and other roads and infrastructure from the threats posed by earthquakes, floods, and rising sea levels.

The Board of Supervisors approved issuance of \$50 million in Embarcadero Seawall Earthquake Safety Bonds in July 2019 (File 19-0358). Of that \$50 million, \$45.8 million was for seawall

¹ According to a December 5, 2022 REC presentation to the Capital Planning Committee, the Department has been delayed in its capital project delivery due to higher than projected construction bids, coordination with PG&E, regulatory, design, and community outreach requirements, and City staffing capacity.

projects, of which \$40.5 million has been spent; the Port anticipates expending or encumbering the remaining funds by the end of FY 2022-23. From the voter-approved \$425 million authorization, \$49.7 million in bonds has been issued to date and \$375.3 remains unissued.

Affordable Housing General Obligation Bond

San Francisco voters approved \$600 million in Affordable Housing Bonds in 2019 (Proposition A) to finance the construction, development, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing improvements.

The Board of Supervisors approved issuance of \$260 million in Affordable Housing Bonds in October 2020 (File 20-1091), including \$252.62 million for affordable housing projects, of which \$158.3 million has been spent or encumbered as of December 2022. Remaining spending on the first issuance is expected to be complete by July 2024. From the voter-approved \$600 million authorization, approximately \$254.9 million has been issued to date, and approximately \$345.4 million remains unissued.

DETAILS OF PROPOSED LEGISLATION

Resolutions Approving Issuance and Sale of General Obligation Bonds

File 22-1265: The proposed resolution would authorize the second sale of the 2020 Health and Recovery Bond with a not-to-exceed amount of \$30,000,000, Series 2023A. If the Board of Supervisors approves the sale of \$30,000,000, the sale of the balance of \$32,500,000 in remaining bond authority would be subject to future Board of Supervisors approval.

File 22-1273: The proposed resolution would authorize the second sale of the 2018 Embarcadero Seawall Bond with a not-to-exceed amount of \$42,000,000, Series 2023B. If the Board of Supervisors approves the sale of \$42,000,000, the sale of the balance of \$333,000,000 in remaining bond authority would be subject to future Board of Supervisors approval.

File 22-1274: The proposed resolution would authorize the second sale of the 2019 Affordable Housing Bond with a not-to-exceed amount of \$172,000,000, Series 2023C. If the Board of Supervisors approves the sale of \$172,000,000, the sale of the balance of \$168,000,000 in remaining bond authority would be subject to future Board of Supervisors approval.

Each resolution also:

- Prescribes the form and terms of the bonds;
- Provides for the appointment of depositories and other agents for the bonds;
- Provides for the establishment of accounts related to the bonds;
- Provides for the manner of sale of the bonds by competitive or negotiated sale;
- Approves the forms of Official Notice of Sale and Intention to Sell Bonds;
- Directs the publication of the Notice of Intention to Sell Bonds;
- Approves the form of the Bond Purchase Contract;

- Approves the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
- Approves the form of the Continuing Disclosure Certificate;
- Authorizes and approves modifications to documents;
- Ratifies certain actions previously taken; and
- Grants authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

Ordinance Approving Bond Appropriations

File 22-1266: The proposed ordinance appropriates the following bond proceeds and places these funds on Controller's Reserve pending receipt of bond funds.

- \$30 million of proceeds from the Series 2023A Health and Recovery General Obligation Bond to the Recreation and Parks Department for improvements to parks, recreation spaces, and open spaces, including funding for sustainability and community programs.
- \$42 million of proceeds from the Series 2023B Embarcadero Seawall Bond to the Port of San Francisco for planning, engagement, program management, pilot projects, Embarcadero project pre-design and detailed designed, and a flood study performed by the U.S. Army Corps of Engineers.
- \$172 million of proceeds from the Series 2023C Affordable Housing Bond proceeds for the Mayor's Office of Housing and Community Development for funding public, low-income, preservation and middle income, and senior housing projects.

Taxable and Tax-Exempt Bonds

The Series Bonds 2023ABC will be structured as either tax-exempt and/or taxable depending on eligibility of project expenditures for tax exemption and/or market conditions.

Competitive or Negotiated Sale

The Office of Public Finance intends to pursue a competitive sale of the 2023ABC Bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable.

Proposed Uses of Bond Funds

Exhibit 1 below summarizes the proposed uses of the Series 2023ABC Bond proceeds.

Exhibit 1: Series 2023ABC Bond Appropriation Proposed Uses

| | Series 2023A Health & Recovery | Series 2023B Embarcadero Seawall | Series 2023C Affordable Housing |
|---|-----------------------------------|-------------------------------------|------------------------------------|
| Sources | | | |
| Par Amount | 28,855,000 | 39,090,000 | 168,315,000 |
| Reserve for Market Uncertainty | 1,145,000 | 2,910,000 | 3,685,000 |
| Total Sources (Bond Proceeds) | 30,000,000 | 42,000,000 | 172,000,000 |
| Uses | | | |
| Health & Recovery Bond Uses | | | |
| Buena Vista Park | 2,500,000 | | |
| Crocker Amazon Playground & Richmond Senior Center | 3,500,000 | | |
| South Sunset Playground Clubhouse | 2,400,000 | | |
| Citywide Parks: Renovations and improvements to Golden Gate, McLaren, and Lake Merced Parks | 7,800,000 | | |
| Parks Health & Recovery Programs | 6,300,000 | | |
| Sustainability Programs | 6,000,000 | | |
| Health & Recovery Uses Subtotal | 28,500,000 | | |
| Embarcadero Seawall Uses | | | |
| Seawall & Marginal Wharf Repair Project | | 38,617,000 | |
| Embarcadero Seawall Uses Subtotal | | 38,617,000 | |
| Affordable Housing Uses | | | |
| Public Housing: HOPE SF Sunnysdale and Potrero; Hunters View Phase III | | | 97,880,000 |
| Low-Income Housing: 730 Stanyan, Maceo May, and Balboa Reservoir | | | 38,591,653 |
| Preservation/Middle-Income Housing: Down payment assistance | | | 9,400,000 |
| Senior Housing: 4200 Geary | | | 20,400,000 |
| Affordable Housing Uses Subtotal | | | \$166,271,653 |
| Subtotal Bond Projects | \$28,500,000 | \$38,617,000 | \$166,271,653 |
| City Services Auditor | 57,000 | 77,234 | 332,543 |
| General Obligation Bond Oversight Committee | 28,855 | 39,090 | 168,315 |
| Costs of Issuance ^a | 124,870 | 161,226 | 700,914 |
| Underwriters Discount ^b | 144,275 | 195,450 | 841,575 |
| Reserve for Market Uncertainty | 1,145,000 | 2,910,000 | 3,685,000 |
| Subtotal Oversight & Financing | \$1,500,000 | \$3,383,000 | \$5,728,347 |
| Total Uses | \$30,000,000 | \$42,000,000 | \$172,000,000 |

Source: Appropriation Ordinance (File 22-1266) under Board of Supervisors consideration

^a Costs of issuance include bond counsel, auditor, regulator, and other costs.

^b Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

Health and Recovery Bond Projects

Through the Series 2023A bond issuance, the Recreation and Parks Department will receive \$28.5 million for improvements to City parks and recreation facilities. This includes \$2.5 million for improvements to Buena Vista Park's paved pathways; \$3.5 million for renovations to the Crocker Amazon baseball diamonds, ancillary structures, and park amenities, and to Richmond Senior Center to provide outdoor exercise equipment, landscaping, pathways, and benches; \$2.4 million to the South Sunset Clubhouse for reconfiguration and renovation of interior spaces and building systems; \$7.8 million for capital improvements to Golden Gate, McLaren, and Lake Merced Parks, including restoration of natural features (lakes, meadows, and landscapes), improvements to recreational assets (playgrounds, playfields, courts, and picnic areas), and, improved connectivity and access (roads, pedestrian safety, paths, and trails renovations and improvements); \$6.3 million for Health and Recovery Programs, which funds the Community Opportunity Fund (\$3.5 million), Playgrounds Program (\$2.5 million), and Community Garden Program (\$300,000); and, \$6.0 million from the sustainability program that has been allocated to Gene Friend Rec Center, which will help make improvements to support climate resilience with investments in water conservation, energy generation and conservation measures, and landscaping with native plants.

Embarcadero Seawall Bond Projects

Through the Series 2023B bond issuance, the Port of San Francisco will receive \$38,617,000 for the seawall and marginal wharf repair project. According to Port staff, these costs will be used for Port labor (\$8.9 million); program management (\$7.1 million), which includes task development, early project predesign support and detailed design cost support; planning around adaptation strategies, U.S. Army Corps of Engineers engineering support and other planning efforts such as pier adaptation (\$4.7 million); engagement of community and stakeholders around selected projects (\$0.8 million); the U.S. Army Corps of Engineers flood study management (\$3.5 million); pilot projects, which funds monitoring of the Living Seawall that is working toward ecological enhancement of concrete seawalls (\$0.4 million); and, Embarcadero Early Projects predesign for nine selected projects (\$3.3 million) and detailed design (\$9.9 million) for three projects that are selected from nine in predesign. To date, six of the nine Early Embarcadero Projects have been selected for predesign: (1) Wharf J9 Replacement and Resilient Shoreline Project; (2) Pier 15 Bulkhead Wall and Wharf Earthquake Safety Retrofit; (3) Pier 9 Bulkhead Wall and Wharf Earth Safety Retrofit; (4) Ferry Building Seawall and Substructure Earthquake Reliability; (5) Pier 5 to Pier 22-1/2 Near-term Coastal Flood Risk Reduction Project; and (6) Pier 24 to Pier 28-1/2 Bulkhead Wall and Wharf Earthquake Safety. The three remaining projects that will advance to predesign will be determined later this year according to Port staff.

Affordable Housing Bond Projects

Through the Series 2023C bond issuance, the Mayor's Office of Housing and Community Development will receive \$166,271,653. Of this funding, \$97,880,000 will go toward support of 288 units of public housing replacement units and new affordable units at Sunnydale, Potrero, and Hunters View; \$38,591,653 for low-income housing development, which includes 160 units at 730 Stanyan, 105 units for veterans at Maceo May; and 124 units at Balboa Reservoir; \$9.4 million for the Downpayment Assistance Loan Program, which supports moderate income

borrowers at 120-200 percent AMI; and, \$20.4 million for Senior Housing, which will support 98 units for seniors at 4200 Geary.

Bond Accountability Report Waived

Each of the proposed bond resolutions for the Series 2023ABC Bonds waives the deadline for submission of the Bond Accountability reports under Admin Code Section 2.71(a) and 2.71(b). These sections of the Admin Code require that the governmental entity that is requesting the appropriation of bond proceeds by the Board or the entity to which such bond proceeds were appropriated submit a Bond Accountability Report 60 days prior to the approval of the appropriation and/or sale, which include details on the spending of previously approved bond sales and details on the projects proposed to be funded with new bond sales. The Recreation and Parks Department and Port have not completed their bond accountability reports as of this writing.

The Mayor’s Office of Housing and Community submitted a bond accountability report pertaining to its bond sales on January 13, 2022.

FISCAL IMPACT

Annual Debt Service

The Office of Public Finance reports that the combined par value of the Series 2023ABC bonds is approximately \$236,260,000. The proposed resolutions authorize the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the Series 2023ABC bonds shall have a final maturity date no later than 30 years (Series 2023A and 2023B) or 40 years (Series 2023C) after the date of issuance.

Based on an estimated market interest rate of 6.56 percent for the Series 2023ABC general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of approximately \$18,600,000. Over the anticipated 25-year life of the bonds, the total debt service is estimated at \$469,653,000. Of the total debt service, approximately \$233,393,000 is in interest payments (\$234,574,000 if underwriting costs are included) and the remainder is the par value of the 2023ABC Bonds (\$236,260,000). The estimated interest rate for these bonds (6.56 percent) is higher than the general obligation bonds sold in 2021, which had an interest rate of 3.75 percent.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. The City calculates its debt limit based on total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City’s general obligation debt limit for FY 2022-23 is approximately \$9.86 billion, based on a net assessed valuation of approximately \$328.5 billion.

According to the Controller’s Office of Public Finance, as of October 1, 2022, the City had outstanding debt of approximately \$2.63 billion in aggregate principal amount of general

obligation bonds, which equals approximately 0.80 percent of the net assessed valuation for FY 2022-23. If the Board of Supervisors approves the issuance of the Series 2023ABC Bonds, the debt ratio would increase by approximately 0.07 percent to 0.87 percent, which is under the three percent debt limit. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.25 percent of the net assessed value of property in the City.

Property Tax Rates

Repayment of general obligation bonds is recovered through an increase in the annual Property Tax rate. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of the 2023ABC Bonds, the total increase in the Property Tax rate is estimated to average \$0.00567 per \$100 of assessed value over the anticipated 25-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 average additional property taxes to the City of approximately \$33.62 per year if the anticipated amount of \$236,260,000 of bonds are sold.

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 FY 2005-06 levels, or \$0.1201 per \$100 of assessed value. The FY 2022-23 property tax rate, including debt service on the proposed bonds, is \$0.1076 per \$100 of assessed value, which is below that constraint. The Board of Supervisors approved the FY 2022-23 property tax rate in September 2022 (File 22-0959).

RECOMMENDATION

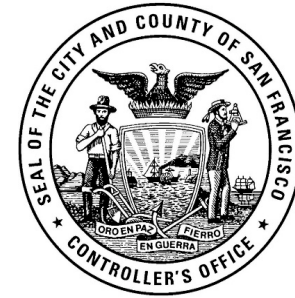
Approve the proposed resolutions (Files 22-1265, 22-1273, and 22-1274) and the proposed ordinance (File 22-1266).

2023ABC General Obligation Bond Sale Resolutions and Appropriation Ordinance

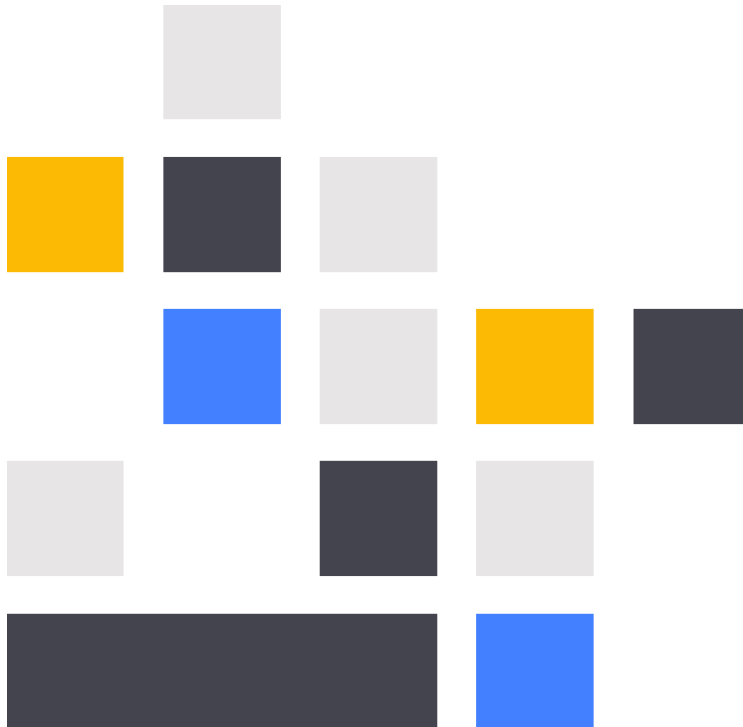
Health & Recovery 2023A – RPD - \$30,000,000;

Embarcadero Seawall 2023B – PRT - \$42,000,000;

Affordable Housing 2023C – MOHCD - \$172,000,000



Mayor's Office of
Housing and Community
Development



Budget & Finance Committee

January 25, 2023



2020 Health and Recovery General Obligation Bond Second Issuance

January 25, 2022



Total Bond Program is \$487.5 million

- **\$207m** for facilities that provide treatment and supportive housing for the homeless/mentally ill (Homelessness and Supportive Housing/Public Health)
- **\$239m** for parks and recreation facilities (Recreation and Parks)
- **\$41.5m** for curb ramps, street resurfacing, street structures and pedestrian right of way (Public Works)

First Bond Issuance was \$425 million.

- HSH (\$147 million), DPH (\$60 million) and DPW (\$41.5 million) requested their full voter-approved program budget in the first issuance.
- Rec Park requested \$176.5 million or 74% of its bond authority.
 - \$169.32 million allocated towards named bond parks and programs.
 - \$7.18 million budgeted for bond issuance costs within Rec Park authority to be split amongst all departments.



| 2020 Health and Recovery Bond - Parks & Open Spaces | | | | |
|--|---------------------------|-----------------------|------------------------|-----------------------|
| (in Millions) | | | | |
| | Bond Authorization | First Issuance | Second Issuance | Third Issuance |
| Neighborhood Parks | 101 | 101 | 0 | 0 |
| Buchanan Mall | 2 | 2 | | |
| Gene Friend Rec Center | 30 | 30 | | |
| Herz Playground | 10 | 10 | | |
| India Basin | 29 | 29 | | |
| Japantown Peace Plaza | 25 | 25 | | |
| Neighborhood Parks Contingency | 5 | 5 | | |
| Recovery Parks | 86 | 55.6 | 8.4 | 22 |
| Buena Vista Park | 3 | 0.5 | 2.5 | |
| Jackson Playground | 10 | | | 10 |
| Portsmouth Square | 54 | 54 | | |
| South Sunset Recreation Center | 3 | 0.6 | 2.4 | |
| Crocker Amazon/Richmond Senior Park | 16 | 0.5 | 3.5 | 12 |
| Citywide Parks | 18 | 6.2 | 7.8 | 4 |
| Golden Gate Park, John McLaren, and Lake Merced | | | | |
| Community Gardens | 0.6 | 0.3 | 0.3 | |
| Community Opportunity Fund | 6 | 0.1 | 3.5 | 2.4 |
| Playgrounds | 9 | 3.5 | 2.5 | 3 |
| Sustainability | 14 | 0.2 | 6 | 7.8 |
| Trails - Twin Peaks | 1 | 1 | | |
| Contingency | 1.4 | 1.4 | | |
| Administration - Audit & Issuance* | 2 | 1 | 1.5 | |
| Total | 239 | 170.3 | 30 | 38.7* |

*3rd Issuance amount is dependent on 2nd Issuance administrative costs. While administrative costs are projected not to exceed \$750K, reductions and reallocations can be made as-needed to the 3rd issuance.



Project Highlights: Gene Friend Rec Center

- **\$59M Project Budget, \$41.1M Bond Allocation**
 - Full demolition of the existing facilities for curb-to-curb renovation
 - New gym building with two indoor courts and outdoor terrace, new outdoor courts, new playground and amenities
 - Increased Bond Allocation with appropriate program funding (playgrounds, sustainability, contingency) to provide bridge financing until Developer Impact Fees are received by the City.
- **Construction expected to begin mid-2023**
 - Design team awarded contract by Rec Park Commission in Dec 2021
 - CM/GC contract awarded by Rec Park Commission in Aug 2022

Rendering: Recreation Center Interior



Project Highlights: Recovery Parks

- **Buena Vista - \$3M Bond Budget**
 - Extensive improvements to the paved path network throughout the park's interior, construction expected to begin in 2024
- **South Sunset Clubhouse - \$3M Bond Budget**
 - Renovation of existing building to better serve community needs; construction expected to begin in late 2024
 - Leverage \$2.3m State funding
- **Crocker Amazon Baseball Field Renovation - \$15M Bond Budget**
 - Renovate baseball fields and improve related facilities (i.e., parking lot and restrooms) along with adjacent park amenities
 - Project in planning phases with community engagement, environmental review and design continuing in 2023
- **Richmond Senior Park @ GGP Senior Center - \$1M Bond Budget**
 - Add outdoor amenities, such as exercise equipment, landscaping, and benches



Project Highlights: Citywide Parks & Programs

Citywide Parks



Golden Gate Park



McLaren Park



Lake Merced

Citywide Programs



COF Project at Bayview Playground



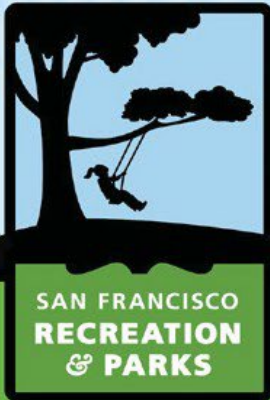
JFK Promenade



Community Garden at In Chan Kajaal



Thank you & Questions



Inspire, Connect, Play!



Waterfront Resilience Program Update & Second Seawall Bond Request

January 25, 2023



Waterfront Resilience Program

AGENDA



- Embarcadero Early Projects Overview
- Pilot Project – Living Seawall
- Seawall Bond & Program Funding

EMBARCADERO EARLY PROJECTS LIST



PROJECT LIST:

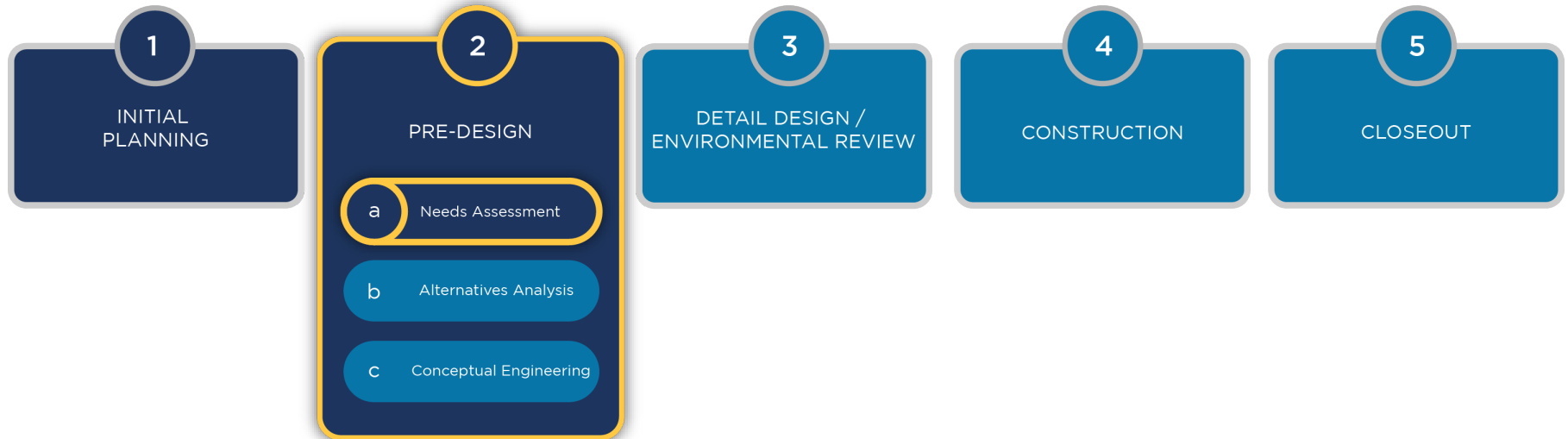
- 1 Joint Operations Security Center and Fuel Dock Reliability Project
- 2 Wharf J9 Replacement and Resilient Shoreline Project
- 3 Taylor Street Seawall Earthquake Stabilization Project
- 4 Pier 45 Apron Earthquake Safety Retrofit and Flood Risk Reduction
- 5 Pier 43-1/2 Seawall and Wharf Earthquake Safety Project
- 6 Pier 41 Seawall Earthquake Stabilization and Wharf Retrofit
- 7 Pier 39 Seawall Earthquake Stabilization & Wharf Retrofit/Replacement
- 8 Pier 33 to 35 Seawall and Wharf Earthquake Reliability Project
- 9 Pier 31-1/2 Bulkhead Wall and Wharf Earthquake Safety Retrofit
- 10 Pier 27 Seawall and Wharf Earthquake Reliability Project
- 11 Pier 15 Bulkhead Wall and Wharf Earthquake Safety Retrofit
- 12 Pier 9 Bulkhead Wall and Wharf Earthquake Safety Retrofit
- 13 Pier 9 Historic Shed Building Earthquake Safety Retrofit Project
- 14 Pier 1 Bulkhead Wall and Wharf Earthquake Reliability Project
- 15 Ferry Building Seawall & Substructure Earthquake Reliability
- 16 Agriculture Building Bulkhead Wall and Wharf Earthquake Safety
- 17 Pier 5 to Pier 22-1/2 Near-Term Coastal Flood Risk Reduction Project
- 18 Pier 24 to Pier 28-1/2 Bulkhead Wall and Wharf Earthquake Safety
- 19 EFWS, Intake Tunnel #1 Earthquake Reliability Project
- 20 Giants Seals Plaza Seawall Earthquake Stabilization Project
- 21 Pier Fire Suppression & Waterside Evacuation Improvements
- 22 EFWS, Fireboat Manifold Earthquake Reliability Projects
- 23 Pier Utility Connection Earthquake Retrofits at Seawall

23 Embarcadero Early Projects Identified & Evaluated

- 11 advancing to pre-design using Proposition A funding
- 5 advancing to pre-design thru a geographic strategy for the stretch between Piers 19 and 41
- 7 advancing through coordination with long-term Port tenants, capital programs, and City agency coordination
- ➔ 6 of 12 Needs Assessment Reports Completed

Overview

WATERFRONT RESILIENCE PROGRAM PROJECT DEVELOPMENT PROCESS



WHARF J9 REPLACEMENT & RESILIENT SHORELINE PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Replace Wharf J9 and seawall with a resilient structure to protect the shoreline in earthquakes and help defend Fisherman's Wharf from sea level rise
- Increase disaster response capability by providing earthquake accessible berths including fireboat EFWS Hydrant
- Revitalize an underinvested area, connect residents and visitors to working fishing industry, and create a continuous waterfront experience

PIER 15 BULKHEAD WALL & WHARF EARTHQUAKE SAFETY RETROFIT PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Improve earthquake safety by retrofitting bulkhead wall and substructure to reduce damage and risk of collapse
- Provide reliable access across Seawall for use of berths for earthquake disaster response
- Due to difficulty in fixing Bay Muds, include major Seawall improvements as part of later SLR adaptation.
- Keep Exploratorium open during construction

PIER 9 BULKHEAD WALL & WHARF EARTHQUAKE SAFETY RETROFIT PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Improve earthquake safety by retrofitting bulkhead wall and substructure to reduce damage and risk of collapse
- Provide reliable access across Seawall for use of berths for earthquake disaster response
- Due to difficulty in fixing Bay Muds, include major Seawall improvements as part of later SLR adaptation.
- Consider substructure deterioration in alternatives
- Advance shed retrofits as a separate project.

FERRY BUILDING SEAWALL & SUBSTRUCTURE EARTHQUAKE RELIABILITY PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Improve earthquake safety by strengthening the Seawall and substructure of the iconic Ferry Building
- Provide reliable earthquake disaster response for Ferry berths and staging areas by strengthening the Seawall and surrounding substructures
- Improve waterside public realm, reliability of utility services, and Near-term flood defenses
- Minimize construction impacts
- Develop a long-term adaptation plan and consider these investments as steps on the path

PIER 5 to 22½ NEAR-TERM COASTAL FLOOD RISK REDUCTION PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Reduce near-term flood risk to multi-modal Embarcadero transit corridor, BART and Muni, and historic resources, while longer-term solutions are developed for earthquake stability and sea level rise
- Balance near-term flood risk reduction with larger adaptation moves.
- Maintain a high-quality public realm, fix flood damage & explore habitat enhancements
- Partner with SFPUC to include storm water management improvements.
- Consider deteriorated bulkhead and substructures

PIER 24½ to 28½ BULKHEAD WALL & WHARF EARTHQUAKE SAFETY RETROFIT PROJECT

Project Vision: Objectives, Constraints, and Other Considerations



- Improve safety in bulkhead zone and Promenade by reducing collapse risk
- Consider age, condition and rehabilitation needs.
- Include simple retrofits to full replacement alternatives
- Full replacement alternatives to be adaptable for SLR.
- Consider utility needs and adjacent Pier 30/32 and Pier 38/40 development projects

LIVING SEAWALL



Photo: Lonny Meyer

- Objective: ecological enhancement of seawalls
- Study ecological growth on concrete using textured surfaces and concrete admixture composition
- All frames and tiles are constructed and installed
- Two years of monitoring by the Smithsonian to begin early this year

PROGRAM GO BOND EXPENDITURES

| Components | Original Budget | General Obligation Bond | | | | |
|---|--------------------|-------------------------|-------------------|-------------------|------------------|------------------|
| | | First Issuance Budget | Appropriations | Expenditures | Encumbrances | Balance |
| Seawall Program Labor | 18,800,000 | 5,907,000 | 7,500,000 | 6,000,000 | | 1,500,000 |
| United States Army Corps of Engineers (Flood Study) | 8,900,000 | 8,875,000 | 4,000,000 | 3,630,000 | | 370,000 |
| Planning / Engineering / Preliminary Design (35%) | 37,500,000 | 23,985,000 | 33,250,000 | 25,115,000 | 4,600,000 | 3,535,000 |
| Risk Assessment | - | | 3,400,000 | 3,400,000 | | |
| Final Design (65%) | 46,600,000 | | | | | |
| Other City Depts / Gov Agencies | 1,900,000 | 983,000 | 400,000 | 270,000 | | 130,000 |
| Design Support during Construction | 8,400,000 | | | | | |
| Pilot Projects | 40,000,000 | 6,050,000 | 250,000 | 170,000 | | 80,000 |
| Seawall Program Projects | 262,900,000 | | | | | |
| Oversight, Accountability & Cost of Issuance | - | 4,200,000 | 875,000 | 875,000 | | |
| TOTAL | 425,000,000 | 50,000,000 | 49,675,000 | 39,460,000 | 4,600,000 | 5,615,000 |

Expenditures through 9/2022

SECOND BOND REQUEST AND TOTAL BOND FUNDING

| Components | Original Budget | General Obligation Bond | | |
|---|--------------------|-------------------------|-------------------|-------------------|
| | | First Issuance | Second Issuance | TOTAL |
| Seawall Program Labor | 18,800,000 | 7,500,000 | 8,900,000 | 16,400,000 |
| United States Army Corps of Engineers (Flood Study) | 8,900,000 | 4,000,000 | 3,523,000 | 7,523,000 |
| Planning / Engineering / Preliminary Design (35%) | 37,500,000 | 33,250,000 | 22,577,000 | 55,827,000 |
| Risk Assessment | - | 3,400,000 | | 3,400,000 |
| Final Design (65%) | 46,600,000 | | 3,278,000 | 3,278,000 |
| Other City Depts / Gov Agencies | 1,900,000 | 400,000 | | 400,000 |
| Design Support during Construction | 8,400,000 | | | |
| Pilot Projects | 40,000,000 | 250,000 | 340,000 | 590,000 |
| Seawall Program Projects | 262,900,000 | | | |
| Oversight, Accountability & Cost of Issuance | - | 875,000 | 3,382,000 | 4,257,000 |
| TOTAL | 425,000,000 | 49,675,000 | 42,000,000 | 91,675,000 |

Thank You

Carlos Colon | carlos.colon@sfport.com



Request for Approval
2nd Issuance
2019 Affordable Housing GO Bonds
Budget & Finance Committee
January 25, 2023



Mayor's Office of Housing and Community Development
City and County of San Francisco

2019 Affordable
Housing Bond
Action before
Committee



Action item recommending to approve:

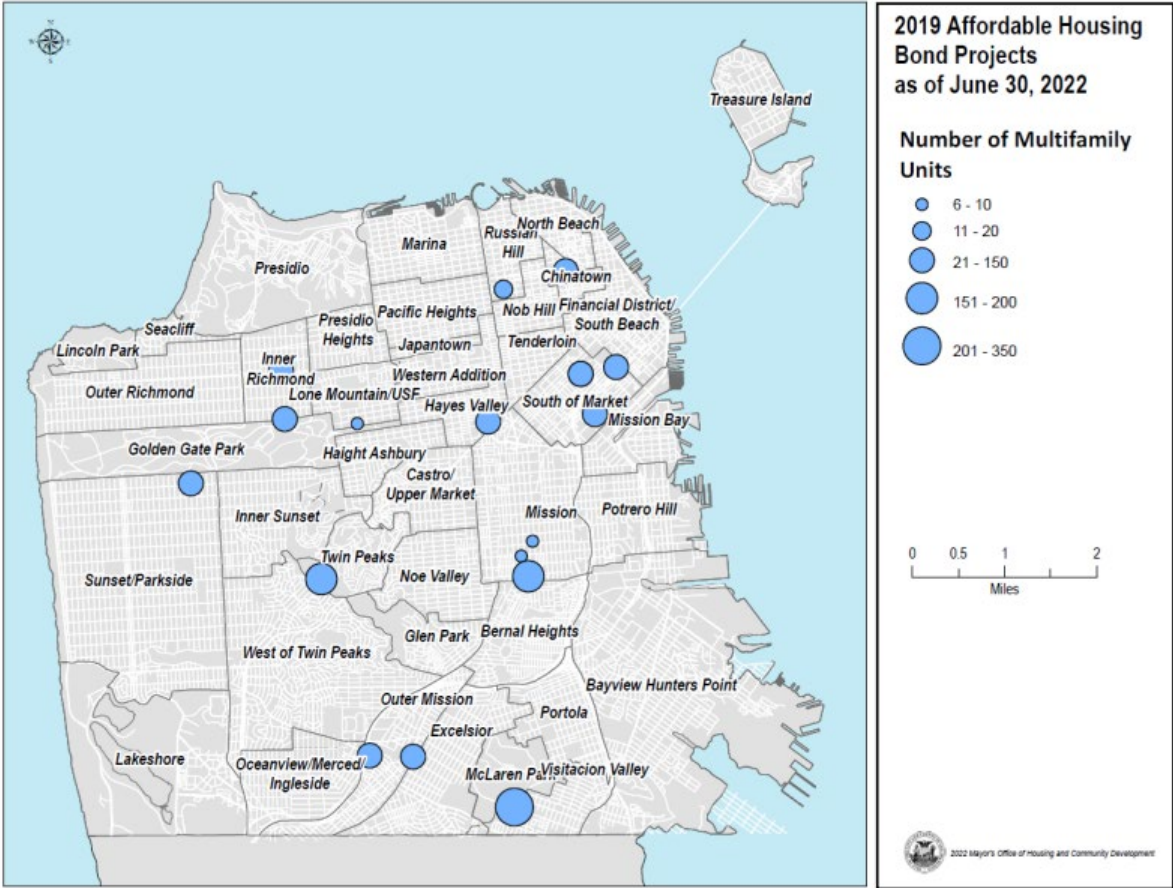
- Resolution authorizing the sale of Taxable General Obligation Bonds (Affordable Housing 2019) Series 2023C, not to exceed \$172.0M

2019 Affordable Housing Bond Spending Update

- \$600M bond passed in November 2019
- First Issuance: **\$254.6M**
 - Issued March 2021
 - 38% spent and 21% encumbered as of June 2022
 - Anticipated to be fully spent by June 2024

| | Issuance 1 | Issuance 2 | Other Issuances | TOTAL |
|--|-----------------|-----------------|-----------------|-----------------|
| Public Housing | \$ 50.6 | \$ 97.9 | \$ 1.5 | \$ 150.0 |
| Low-Income Housing | \$ 143.7 | \$ 38.6 | \$ 37.7 | \$ 220.0 |
| Preservation and Middle-Income Housing | \$ 37.1 | \$ 9.4 | \$ 13.5 | \$ 60.0 |
| Senior Housing | \$ 21.2 | \$ 20.4 | \$ 108.4 | \$ 150.0 |
| Educator Housing | \$ - | \$ - | \$ 20.0 | \$ 20.0 |
| TOTAL | \$ 252.6 | \$ 166.3 | \$ 181.1 | \$ 600.0 |

2019 Affordable Housing Bond Project Locations



2019 Affordable Housing Bond Unit Production Summary

As of June 2022



| | Affordable Units in Predevelopment | Affordable Units in Construction | Affordable Units Completed | Projected Total Affordable Units |
|--|------------------------------------|----------------------------------|----------------------------|----------------------------------|
| Public Housing - HOPE SF - Sunnydale Ph 3 Infra Predev, Blk 7 & 9 Vertical | 169 | 0 | 0 | 169 |
| Public Housing - HOPE SF - Potrero Block B Gap | 0 | 282 | 0 | 282 |
| Public Housing - SFHA Potrero & Sunnydale Accelerated Conversion HQS | 125 | 0 | 0 | 125 |
| Public Housing - HOPE SF - Sunnydale Blk 3A Vertical Gap | 84 | 0 | 0 | 84 |
| Public Housing - HOPE SF - Sunnydale Blk 3B Vertical Gap | 90 | 0 | 0 | 90 |
| Public Housing - Scattered Sites | 0 | 69 | 0 | 69 |
| Low Income - 921 Howard Gap | 0 | 102 | 0 | 102 |
| Low Income - Balboa Park Upper Yard Gap | 0 | 130 | 0 | 130 |
| Low Income - 4840 Mission Gap | 0 | 137 | 0 | 137 |
| Low Income - Treasure Island C3.1 Mercy + CC Gap | 0 | 138 | 0 | 138 |
| Low Income - Perm Supportive for Single Adults | 220 | 0 | 0 | 220 |
| Low Income - Perm Supportive for People With Chronic Mental Illness | 0 | 8 | 0 | 8 |
| Low Income - 78 Haight - Parcels (R, S & U) Gap | 0 | 63 | 0 | 63 |
| Low Income - 1515 South Van Ness Gap-Part 1 | 168 | 0 | 0 | 168 |
| Low Income - Geographic Equity Family Acquisition - 2550 Irving | 90 | 0 | 0 | 90 |
| Middle Income - Preservation: Small Sites NOFA | 94 | 0 | 0 | 94 |
| Middle Income - 921 Howard Gap | 0 | 101 | 0 | 101 |
| Senior Housing - Laguna Honda Hospital Senior Housing Predev | 200 | 0 | 0 | 200 |
| Senior Housing - Geographic Equity Senior Acquisition - 4200 Geary | 98 | 0 | 0 | 98 |
| Senior Housing - 772 Pacific Predev | 70 | 0 | 0 | 70 |
| TOTAL | 1,408 | 1,030 | 0 | 2,438 |
| Percent of Phase | 58% | 42% | 0% | 100% |

2019 Affordable Housing Bond 2nd Issuance

Public Housing – 288 Units



\$96.83M – Public Housing

- Vertical and Infrastructure development at Sunnydale, Potrero, and Hunters View
- Total of 288 units plus infrastructure development supporting two additional affordable developments at Potrero
- Public housing replacement units and affordable (tax credit) units



2019 Affordable Housing Bond 2nd Issuance

Low-Income Housing – 393 Units



\$38.6M – Low-Income Housing

- 730 Stanyan
 - 160 units including studios, 1 bedroom, 2 bedroom and 3 bedroom units
 - 40 units for households experiencing homelessness (20 TAY, 20 family)
 - Incomes range from 0-80% Area Median Income



2019 Affordable Housing Bond 2nd Issuance

Low-Income Housing – 393 Units



\$38.6M – Low-Income Housing

- Maceo May Additional Gap
 - 105 units for veterans including studios, 1 bedroom and 2 bedroom units
 - 33 units to be occupied by formerly homeless vets currently living on Treasure Island
- Balboa Reservoir Building E
 - First of four affordable housing developments at the Reservoir
 - 124 units including studios, 1 bedroom, 2 bedroom and 3 bedroom units
 - Incomes range from 40%-105% Area Median Income

2019 Affordable Housing Bond 2nd Issuance

Senior Housing – 98 Units



\$20.4M – Senior Housing

- 4200 Geary Boulevard at 6th Avenue
- Site acquired through MOHCD's 2019 Geographic Equity NOFA
- 98 units for seniors – 41 studios, 57 one-bedrooms
 - 20 units for seniors experiencing homelessness
 - 12 units for veteran seniors experiencing homelessness
 - 30 units for extremely low income seniors supported by the City's Senior Operating Subsidy Program

2019 Affordable Housing Bond 2nd Issuance

Senior Housing – 98 Units



2019 Affordable Housing Bond 2nd Issuance

Middle Income Housing – 21 Units



\$9.4M – Downpayment Assistance Loan Program

- Will build on existing successful downpayment assistance loan program for first-time homebuyers.
- Average downpayment assistance amount is approximately \$425k per household, with \$500,000 maximum
- Supports moderate income borrowers, 120%-200% AMI
- Deferred loan due upon sale, transfer of the property, or non-compliance with the contractual program requirements

Sources and Uses for Proposed GO Bond Series 2023ABC

| | <u>Health & Recovery</u> <u>(2023A)</u> | <u>Embarcadero Seawall</u> <u>(2023B)</u> | <u>Affordable Housing</u> <u>(2023C)</u> | <u>Total</u> |
|-------------------------------------|--|--|---|----------------------|
| Estimated Sources: | | | | |
| <u>Not-to-Exceed Par Amount</u> | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |
| Estimated Par | \$28,855,000 | \$39,090,000 | \$168,315,000 | \$236,260,000 |
| Reserve for Market Uncertainty | \$1,145,000 | \$2,910,000 | \$3,685,000 | \$7,740,000 |
| Total Estimated Sources: | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |
| Estimated Uses: | | | | |
| <u>Project Fund Deposits:</u> | | | | |
| Project Fund | \$28,500,000 | \$38,617,000 | \$166,271,653 | \$233,388,653 |
| CSA Audit Fee | \$57,000 | \$77,234 | \$332,543 | \$466,777 |
| Total Project Fund Deposits: | \$28,557,000 | \$38,694,234 | \$166,604,196 | \$233,855,430 |
| <u>Delivery Date Expenses:</u> | | | | |
| Cost of Issuance | \$124,870 | \$161,226 | \$700,914 | \$985,000 |
| Underwriter's Discount | \$144,275 | \$195,450 | \$841,575 | \$1,181,300 |
| CGOBOC Fee | \$28,855 | \$39,090 | \$168,315 | \$236,260 |
| Total Delivery Expense: | \$298,000 | \$395,766 | \$1,710,804 | \$2,402,560 |
| Reserve for Market Uncertainty | \$1,145,000 | \$2,910,000 | \$3,685,000 | \$7,740,000 |
| Total Estimated Uses: | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |



Fiscal Impact of Proposed GO Bond Series 2023ABC

- Estimated Financing Costs*

Projected par: \$236,260,000

Estimated interest rate: 6.50%

Estimated total interest cost: \$233,392,775

Estimated Annual Property Tax Impact: \$5.67 per \$100,000 (\$33.62 for \$600K home)

Estimated final maturity: 6/15/2048

- Debt Capacity

Certified Net Assessed Valuation for FY22-23 (Net AV): \$328,530,494,367

3% GO Debt Capacity: \$9,855,914,831

GO Debt Outstanding as of 12/31/22: \$2,625,532,882 (0.80% of Net AV)

GO Debt Outstanding including proposed 2023ABC Bonds: \$2,861,792,882 (0.87% of Net AV)

- Capital Planning Constraint

Issuance of 2023ABC bonds is consistent with FY2006 property tax rate cap policy

** Interest rate and cost estimates provided by Fieldman, Rolapp & Associates, Inc., an MSRB-registered municipal advisory firm*



Anticipated Financing Timeline

MILESTONES

DATES*

- Capital Planning Committee December 5 & 12, 2022
- Introduction of Legislation to Board of Supervisors December 13, 2022
- Budget and Finance Committee January 25, 2023
- Board of Supervisors Considers Resolution & Ordinance (1st Hearing) January 31, 2023
- Board of Supervisors Considers Ordinance (2nd Hearing) February 7, 2023
- Sale and Closing of Bonds April 2023

*Please note that dates are estimated unless otherwise noted.



APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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

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

Information concerning the City's finances that does not materially impact the availability of moneys deposited in the General Fund including San Francisco International Airport ("SFO" or the "Airport"), Public Utilities Commission ("PUC"), and other enterprise funds, or the expenditure of moneys from the General Fund, is generally not included or, if included, is not described in detail in this Appendix A.

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.

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CITY FINANCIAL CHALLENGES

The Original Budget for fiscal years 2022-23 and 2023-24 was approved by the Board of Supervisors on July 26, 2022 and by the Mayor on July 27, 2022. The 2022-23 and 2023-24 Original Budget assumed \$82.3 million of COVID-19 response costs, nearly 80% below the prior approved budget, as pandemic response efforts and costs decline. See “CITY BUDGET – Budget Process” for additional detail.

The COVID-19 pandemic resulted in general negative effects on the City’s economy which materially adversely impacted the City’s tax revenues and increased expenses due to public health responses. These decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its “other local taxes,” which includes hotel and sales taxes. See “PROPERTY TAXATION – Tax Levy and Collection” for additional detail.

The Original Budget for fiscal years 2022-23 and 2023-24 reflects stabilization of City operations and the significant recovery of certain revenues as many of the negative effects of the pandemic have subsided. However, like other municipal governments throughout the State and nation, the City faces significant financial challenges. In addition, a resurgence of the pandemic may affect the City’s ability to sustain regular operations at current levels and may materially adversely impact the financial condition of the General Fund.

As described in “CITY BUDGET – Other Budget Updates: Fiscal Year 2022-23 and 2023-24 Revenue Letter” the Original Budget for fiscal years 2022-23 and 2023-24 was based in large part on revenue assumptions contained in the Nine-Month Report (issued in May 2022), which assumed continuing economic recovery in fiscal years 2022-23 and 2023-24. Following the issuance of the May 2022 Nine-Month Report and the June 2022 Controller Letter, the local, state and national economies have faced significant headwinds, including multiple interest rate increases by the Federal Reserve, continuing price inflation, volatile investment markets, and economic disruption resulting from the war in Ukraine and other factors. In addition, on November 1, 2022, the Controller issued its most recent report on the status of the re-opening of the City economy. The Controller’s Report noted a 6.2% decline in single family home values in the City from May to September 2022 and that housing prices are falling faster in San Francisco than Statewide. The Controller’s report also indicated that the City continues to lag the State average with respect to in-office attendance by workers in City businesses (a continuation of the remote work practices which became more prevalent during the pandemic). These factors may negatively impact the City’s revenues, including, but not limited to, transfer tax, business tax and property tax revenues. See “BUDGETARY RISKS – Office Vacancy in San Francisco” for a discussion of the impact of remote working on commercial property in the City, including a recent report by the Controller’s Office projecting significant declines in property taxes. In addition, there can be no assurances that potential adverse impacts of the current economic challenges on the financial condition of the State will not result in decreases in State funding to the City.

As described herein in “CITY BUDGET,” the City regularly prepares reports on its current and projected financial condition, including a Six-Month Report, a Nine-Month Report and Five Year Financial Plan. The next report to be issued, the Five Year Plan for fiscal year 2023-24 through fiscal year 2027-28, will likely be issued in January 2023. The City is currently working on developing the next Five Year Plan and based on its preliminary analysis expects the next Five Year Plan to show materially higher cumulative deficits in latter years than projected by the most recent Five Year Plan from January 2022. See “Five Year Financial Plan and March Update” herein. The Five Year Plan will reflect then-available

economic data available, and there can no assurances that the Five Year Plan, when issued, will not reflect projected declines in City revenues below the levels assumed in the Original Budget for fiscal years 2022-23 and 2023-24.

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 (“Board of Supervisors”), and a Mayor elected at large who serves as chief executive officer (“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, the PUC (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 the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the “enterprise fund departments,” as they are not integrated into the City’s General Fund operating budget. However, certain 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.

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.

At the election on November 8, 2022, voters voted on Supervisor seats from even-numbered Districts with terms expiring in 2023. It appears incumbent supervisors for Districts 2, 6, 8, and 10 were re-elected, and Joel Engardio will replace Gordon Mar as the District 4 Board Supervisor.

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TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

| Name | First Elected or Appointed | Current Term Expires |
|---|-------------------------------|-------------------------|
| Connie Chan, <i>District 1</i> | 2021 | 2025 |
| Catherine Stefani, <i>District 2</i> | 2018 | 2023 |
| Aaron Peskin, <i>District 3</i> | 2015 | 2025 |
| Gordon Mar, <i>District 4</i> | 2019 | 2023 |
| Dean Preston, <i>District 5</i> | 2019 | 2025 |
| Matt Dorsey, <i>District 6</i> | 2022 | 2023 |
| Myrna Melgar, <i>District 7</i> | 2021 | 2025 |
| Rafael Mandelman, <i>District 8</i> | 2018 | 2023 |
| Hillary Ronen, <i>District 9</i> | 2017 | 2025 |
| Shamann Walton, Board President, <i>District 10</i> | 2019 | 2023 |
| Ahsha Safai, <i>District 11</i> | 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..

The Assessor-Recorder 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. The position of Assessor-Recorder is a citywide elected position. 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. 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. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new ten-year term as Controller in Spring 2018, and his nomination was confirmed by the Board of Supervisors on May 1, 2018.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City

Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. F Carmen Chu was sworn in as the City Administrator on February 2, 2021.

CITY BUDGET

Overview

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

The fiscal year 2022-23 and 2023-24 Original Budget was approved by the Board of Supervisors on July 26, 2022 and signed by Mayor Breed on July 27, 2022. The Original Budget for fiscal year 2022-23 appropriated annual revenues, fund balance, transfers and reserves of \$14.0 billion, of which the City's General Fund accounts for \$6.8 billion. The Original Budget for fiscal year 2023-24 appropriates revenues, fund balance, transfers and reserves of \$13.9 billion, of which \$6.9 billion represents the General Fund budget. See "CITY BUDGET – Budget for Fiscal Years 2022-23 and 2023-24" for further details on the budget. Table A-2 shows Final Original Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2018-19 through 2020-21, and Original Budgets for fiscal years 2021-22 through 2023-24. 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.

Economic and tax revenue losses associated with the COVID-19 pandemic were stark and immediate. The latter were mitigated by historical levels of federal stimulus . See "CITY BUDGET – Original Budget for Fiscal Years 2022-23 and 2023-24" and "– Other Budget Updates: Fiscal Year 2021-22 Nine Month Budget Status Report" and "GENERAL FUND REVENUES" for a discussion of current projections of the magnitude of the financial impact of the COVID-19 pandemic on the City. See "CITY FINANCIAL CHALLENGES" and "BUDGETARY RISKS" for a discussion of factors that may affect the revenue and expenditure levels assumed in the budget for fiscal years 2022-23 and 2023-24.

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TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2018-19 through 2023-24
(000s)

| | 2018-19 Final Revised Budget | 2019-20 Final Revised Budget ⁷ | 2020-21 Final Revised Budget ⁷ | 2021-22 Original Budget ⁸ | 2022-23 Original Budget ⁹ | 2023-24 Original Budget ⁹ |
|--|------------------------------------|---|---|--|--|--|
| Prior-Year Budgetary Fund Balance & Reserves | \$2,342,082 | \$2,817,270 | \$2,816,902 | \$778,545 | \$395,409 | \$239,873 |
| Budgeted Revenues | | | | | | |
| Property Taxes ¹ | \$2,142,727 | \$1,956,008 | \$2,161,945 | \$2,115,600 | \$2,379,530 | \$2,494,850 |
| Business Taxes | 879,414 | 1,050,392 | 798,057 | 957,140 | 902,300 | 960,200 |
| Other Local Taxes ² | 1,053,390 | 1,144,376 | 657,990 | 777,750 | 1,050,820 | 1,183,490 |
| Licenses, Permits and Franchises | 30,794 | 30,361 | 22,977 | 27,944 | 26,818 | 27,735 |
| Fines, Forfeitures and Penalties | 3,131 | 3,131 | 2,389 | 4,035 | 3,088 | 3,088 |
| Interest and Investment Earnings | 20,323 | 69,579 | 20,732 | 36,247 | 44,467 | 59,947 |
| Rents and Concessions | 14,896 | 15,270 | 11,166 | 11,728 | 13,131 | 13,296 |
| Grants and Subventions | 1,072,205 | 1,234,987 | 1,591,756 | 1,216,765 | 1,511,286 | 1,440,457 |
| Charges for Services | 263,340 | 246,003 | 254,990 | 255,111 | 236,924 | 238,933 |
| Other | 29,712 | 31,712 | 59,773 | 24,238 | 19,420 | 18,652 |
| Total Budgeted Revenues | \$5,509,932 | \$5,781,819 | \$5,581,775 | \$5,426,557 | \$6,187,784 | \$6,440,648 |
| Bond Proceeds & Repayment of Loans ³ | \$87 | - | - | - | - | - |
| Expenditure Appropriations | | | | | | |
| Public Protection | \$1,390,266 | \$1,493,240 | \$1,505,780 | \$1,507,122 | \$1,675,801 | \$1,678,498 |
| Public Works, Transportation & Commerce | 214,928 | 216,824 | 218,986 | 236,525 | 262,733 | 229,775 |
| Human Welfare & Neighborhood Development | 1,120,892 | 1,270,530 | 1,605,573 | 1,418,406 | 1,576,410 | 1,551,143 |
| Community Health | 967,113 | 1,065,051 | 1,158,599 | 1,056,459 | 1,162,956 | 1,168,262 |
| Culture and Recreation | 154,056 | 161,274 | 147,334 | 220,866 | 197,596 | 204,661 |
| General Administration & Finance | 290,274 | 332,296 | 332,997 | 497,915 | 338,055 | 365,922 |
| General City Responsibilities ⁴ | 172,028 | 137,851 | 126,993 | 243,733 | 226,931 | 256,020 |
| Total Expenditure Appropriations | \$4,309,557 | \$4,677,066 | \$5,096,262 | \$5,181,026 | \$5,440,482 | \$5,454,281 |
| Budgetary reserves and designations, net | - | \$34,721 | \$42,454 | 6,129 | \$65,741 | \$24,581 |
| Transfers In | \$239,056 | \$190,642 | \$417,009 | \$158,329 | \$203,001 | \$216,582 |
| Transfers Out ⁵ | (1,468,068) | (1,157,312) | (1,164,927) | (1,176,277) | (1,279,971) | (1,418,241) |
| Net Transfers In/Out | (\$1,229,012) | (\$966,670) | (\$747,918) | (\$1,017,948) | (\$1,076,970) | (\$1,201,659) |
| Budgeted Excess (Deficiency) of Sources | | | | | | |
| Over (Under) Uses | \$2,313,531 | 2,920,632 | 2,512,044 | - | - | - |
| Variance of Actual vs. Budget | 503,738 | (139,127) | 291,491 | - | - | - |
| Total Actual Budgetary Fund Balance⁶ | \$2,817,269 | \$2,781,505 | 2,803,535 | - | - | - |

¹ The City's final budget for FY 2018-19 property tax included \$414.7 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue, representing 2 years of Excess ERAF. In FY 2019-20, the City budgeted \$185.0 million of "Excess Educational Revenue Augmentation Fund" (ERAF) revenue. The Budget appropriates Excess ERAF property tax funds in fiscal years 2020-21, 2021-22, and 2022-23 for ongoing purposes. Please see "Property Tax" sections for more information about Excess ERAF.

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

³ Represents interest that debt service has earned while held by fiscal agent and is returned to the City.

⁴ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

⁵ Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

⁶ Fiscal year 2018-19 through fiscal year 2020-21 Final Revised Budget reflects prior year *actual* budgetary fund balance.

⁷ FY 2019-20 and FY 2020-21 Final Revised Budgets are based on FY 2019-20 and FY 2020-21 ACFR, respectively. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund. See reserve discussion under "CITY BUDGET" section.

⁸ FY 2021-22 amounts represent the Original Budget, adopted July 29, 2021.

⁹ FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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 2022-23, departments with previously fixed two-year budgets in the prior two-year planning cycle (MTA, PUC, SFO, and the Port), were open again for amendments. All other departments prepared balanced, rolling two-year budgets for Board approval.
2. Five-year financial plan and update, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. A five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 15, 2021, for fiscal year 2021-22 through fiscal year 2025-26. The Five-Year Financial Plan was updated on March 31, 2021, January 12, 2022, and March 31, 2022. The next Five Year Plan, for fiscal year 2023-24 through fiscal year 2027-28, will likely be issued in January 2023. See "Five Year Financial Plan and March Update" 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. See "Original Budget for Fiscal Years 2022-23 and 2023-24" section for more details.
 - 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. The fiscal year 2020-21 Original Budget withdrew the maximum permissible amount from the City's Rainy Day and Budget Stabilization Reserves, but the original fiscal year 2021-22 budget provided for the withdrawal of a *de minimis* amount, preserving the remaining balance of the reserves. FY 2022-23 and FY 2023-24 budget did not withdraw from the Rainy Day or Budget Stabilization Reserves. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve, as well as in the "Original Budget for Fiscal Years 2022-23 and 2023-24" section.

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. Miscellaneous employee labor agreements are closed for fiscal years 2022-23 and 2023-24. In spring 2023, the City will be negotiating successor agreements with its public safety employee organizations for fiscal years 2023-24 and 2024-25.

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 first of these reports, the fiscal year 2021-22 Six Month Report (the "Six Month Report") on February 15, 2022 and issued the second, the Nine Month Report ("Nine Month Report"), on May 16, 2022. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's Proposed Budget in the Revenue Letter, which was issued on June 9, 2022.

General Fund Results: Audited Financial Statements

The City issued the Annual Comprehensive Financial Report ("ACFR"), which includes the City's audited financial statements, for fiscal year 2020-21 on February 2, 2022. The ACFR for fiscal year 2021-22 is anticipated to be issued in December 2022 and final results are still pending. However, based on preliminary estimates the City estimates that the fiscal year 2021-22 General Fund balance will show a slight increase from the fiscal year 2020-21 General Fund balance. Thus, unless otherwise noted, actual amounts reflect results from fiscal year 2020-21 audited financial statements. As of June 30, 2021, the General Fund fund balance available for appropriation in subsequent years was \$902.0 million (see Table A-4), which represents an \$5.8 million increase in available fund balance from the \$896.2 million available as of June 30, 2020. This increase resulted primarily from greater-than-budgeted property tax revenue

and real property transfer taxes, mostly offset by under-performance in business and other local tax revenues in fiscal year 2020-21.

The General Fund fund balance as of June 30, 2021 was \$2.7 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles (“GAAP”), derived from revenues of \$5.7 billion. 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-3 focuses on a specific portion of the City’s balance sheet; General Fund fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2017 through June 30, 2021.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of General Fund Fund Balances
Fiscal Years 2016-17 through 2020-21
(000s)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Restricted for rainy day (Economic Stabilization account) ¹ | \$78,336 | \$89,309 | \$229,069 | \$229,069 | \$114,539 |
| Restricted for rainy day (One-time Spending account) ² | 47,353 | 54,668 | 95,908 | - | - |
| Committed for budget stabilization (citywide) ² | 323,204 | 369,958 | 396,760 | 362,607 | 320,637 |
| Committed for Recreation & Parks savings reserve | 4,403 | 1,740 | 803 | 803 | - |
| <u>Assigned, not available for appropriation</u> | | | | | |
| Assigned for encumbrances | \$244,158 | \$345,596 | \$351,446 | \$394,912 | \$407,137 |
| Assigned for appropriation carryforward | 434,223 | 423,835 | 496,846 | 630,759 | 753,776 |
| Assigned for budget savings incentive program (Citywide) | 67,450 | 73,650 | 86,979 | - | - |
| Assigned for salaries and benefits ³ | 23,051 | 23,931 | 28,965 | 25,371 | 5,088 |
| Assigned for Self-Insurance ⁴ | | | | | 42,454 |
| Assigned for Hotel Tax Loss Contingency | | | | | 6,000 |
| Total Fund Balance Not Available for Appropriation | \$1,222,178 | \$1,382,687 | \$1,686,776 | \$1,643,521 | \$1,649,631 |
| <u>Assigned and unassigned, available for appropriation</u> | | | | | |
| Assigned for litigation & contingencies ³ | \$136,080 | \$235,925 | \$186,913 | \$160,314 | \$173,591 |
| Assigned for subsequent year's budget | 183,326 | 188,562 | 210,638 | 370,405 | 173,989 |
| Unassigned for General Reserve ⁵ | 95,156 | 106,878 | 130,894 | 78,498 | 78,333 |
| Unassigned - Budgeted for use second budget year | 288,185 | 223,251 | 285,152 | 84 | - |
| Unassigned - Contingency for second budget year | 60,000 | 160,000 | 308,000 | 510,400 | - |
| Unassigned - COVID-19 Response and Economic Contingency Reserve ⁶ | | | | | 113,500 |
| Unassigned - Federal & State Emergency Revenue Reserve ⁶ | | | | | 100,000 |
| Unassigned - Fiscal Cliff Reserve ⁶ | | | | | 293,900 |
| Unassigned - Business Tax Stabilization Reserve | | | | | 149,000 |
| Unassigned - Gross Receipts Prepayment Reserve | | | | | 26,000 |
| Unassigned - Other Reserve | | | | | 13,807 |
| Unassigned - Available for future appropriation | 14,409 | 44,779 | 8,897 | 18,283 | 31,784 |
| Total Fund Balance Available for Appropriation | \$777,156 | \$959,395 | \$1,130,494 | \$1,137,984 | \$1,153,904 |
| Total Fund Balance, Budget Basis | \$1,999,334 | \$2,342,082 | \$2,817,270 | \$2,781,505 | \$2,803,535 |
| <u>Budget Basis to GAAP Basis Reconciliation</u> | | | | | |
| Total Fund Balance - Budget Basis | \$1,999,334 | \$2,342,082 | \$2,817,270 | \$2,781,505 | \$2,803,535 |
| Unrealized gain or loss on investments | (1,197) | (20,602) | 16,275 | 36,626 | 3,978 |
| Nonspendable fund balance | 525 | 1,512 | 1,259 | 1,274 | 2,714 |
| Cumulative Excess Property Tax Revenues Recognized on Budget Basis | (38,469) | (25,495) | (23,793) | (20,655) | (31,745) |
| Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis | (83,757) | (68,958) | (87,794) | (139,590) | (120,569) |
| Inventories | - | - | - | 33,212 | 17,925 |
| Pre-paid lease revenue | (5,733) | (6,598) | (6,194) | (6,450) | (5,734) |
| Total Fund Balance, GAAP Basis | \$1,870,703 | \$2,221,941 | \$2,717,023 | \$2,685,922 | \$2,670,104 |

¹ Additional information in Rainy Day Reserves section of Appendix A, following this table.

² Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

³ Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.

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

⁴ Due to the GASB 84 implementation, the self-insurance and other general City activities from the former Payroll (Agency) Fund became part of the General Fund.

The balance represents a fund collected and restricted for self-insurance purpose.

⁵ Additional information in General Reserves section of Appendix A, following this table.

⁶ Additional information in the COVID Response and Economic Loss Reserve section of Appendix A, following this table.

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

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

Rainy Day Reserve

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

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

The fiscal year 2020-21 ending balance of the Rainy Day Economic Stabilization City Reserve was \$114.5 million, after a budgeted \$114.5 million withdrawal, as shown in Table A-3. The Original Budget withdrew a minimal amount of Rainy Day Reserve in fiscal year 2021-22 and no withdrawals are budgeted in fiscal years 2022-23 and 2023-24, 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 as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One Time Reserve is \$320.6 million at the end of fiscal year 2020-21, with an ending balance of \$265.8 million in the Budget Stabilization Reserve and \$54.8 million in the Budget Stabilization One-Time Reserve.

The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

In fiscal year 2020-21, the City withdrew \$41.9 million from the Budget Stabilization Reserve. The Original Budgets for fiscal year 2021-22, 2022-23, and 2023-24 make no withdrawal from this reserve, maintaining the fiscal year 2020-21 \$265.8 million balance.

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-3 above. These include the Salaries and Benefit Reserve (beginning balance of \$47.4 million as of fiscal year 2021-22) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (beginning balance of \$173.6 million in fiscal year 2021-22) 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 "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the 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 year 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. As a result, the fiscal year 2020-21 ending balance of the General Reserve is \$78.5 million. The Original Budget for fiscal years 2021-22, 2022-23, and 2023-24 includes deposits of \$5.3 million, \$64.4 million, and \$20.6 million, respectively. See "CITY BUDGET – Five-Year Financial Plan and March Update" and "– Other Budget Updates: Fiscal Year 2021-22 Nine-Month Budget Status Report" for a summary of the most recent projections.

COVID Response and Economic Loss 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, as shown as part of

“Unassigned Contingency for Second Budget Year” line in Table A-3. The COVID Response and Economic Loss Reserve was available to offset revenue losses or to assist otherwise with balancing of future fiscal year budgets. The Controller noted that the \$507.4 million total balance would be sufficient to offset some, but not all, of the budget risks identified in future years.

The Original Budget for fiscal years 2021-22 and 2022-23 draws down \$113.5 million of the COVID Response and Economic Loss Reserve to support the costs of the City’s continuing COVID-19 response. As of the end of fiscal year 2020-21, the remaining balance 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.” 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. The Fiscal Cliff Reserve was created for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources.

The Original Budgets for fiscal year 2021-22, 2022-23 and 2023-24 assume the use of \$0 million, \$9.3 million and \$90.2 million, respectively, of Fiscal Cliff Reserve and \$18.7 million, \$0 million, and \$0 million, respectively, of Federal and State Emergency Grant Disallowance Reserve. In addition, mid-way through fiscal year 2021-22, \$64.2 million of the Fiscal Cliff Reserve was appropriated through a supplemental appropriations ordinance by the Mayor and Board of Supervisors to support spending on rent relief and social housing. As a result, the Fiscal Cliff Reserve and Federal and State Emergency Grant Disallowance Reserve have anticipated balances of \$130.3 million and \$81.3 million, respectively, by the end of fiscal year 2023-24.

Operating Cash Reserve

Not shown in Table A-3, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City’s operating cash reserve from any unencumbered funds then held in the City’s pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City’s General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See “INVESTMENT OF CITY FUNDS – Investment Policy” herein.

Table A-4, entitled “Statement of Revenues, Expenditures and Changes in General Fund Balances,” is extracted from information in the City’s published Annual Comprehensive Financial Report. Audited financial statements can be obtained from the City Controller’s website <https://sfcontroller.org/annual-comprehensive-financial-report-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-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes), and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements. See “CITY BUDGET – Five-Year Financial Plan and March Update” for a summary of the most recent projections.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
Fiscal Years 2016-17 through 2020-21
(000s)

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--------------------|--------------------|----------------------|----------------------|--------------------|
| Revenues: | | | | | |
| Property Taxes ² | \$1,478,671 | \$1,673,950 | \$2,248,004 | \$2,075,002 | \$2,332,864 |
| Business Taxes | 700,536 | 897,076 | 917,811 | 822,154 | 722,642 |
| Other Local Taxes ³ | 1,203,587 | 1,093,769 | 1,215,306 | 996,180 | 709,018 |
| Licenses, Permits and Franchises | 29,336 | 28,803 | 27,960 | 25,318 | 12,332 |
| Fines, Forfeitures and Penalties | 2,734 | 7,966 | 4,740 | 3,705 | 4,508 |
| Interest and Investment Income | 14,439 | 16,245 | 88,523 | 65,459 | (1,605) |
| Rents and Concessions | 15,352 | 14,533 | 14,460 | 9,816 | 5,111 |
| Intergovernmental | 932,576 | 983,809 | 1,069,349 | 1,183,341 | 1,607,803 |
| Charges for Services | 220,877 | 248,926 | 257,814 | 229,759 | 230,048 |
| Other | 38,679 | 24,478 | 46,254 | 62,218 | 46,434 |
| Total Revenues | \$4,636,787 | \$4,989,555 | \$5,890,221 | \$5,472,952 | \$5,669,155 |
| Expenditures: | | | | | |
| Public Protection | \$1,257,948 | \$1,312,582 | \$1,382,031 | \$1,479,195 | \$1,498,514 |
| Public Works, Transportation & Commerce | 166,285 | 223,830 | 202,988 | 203,350 | 204,973 |
| Human Welfare and Neighborhood Development | 956,478 | 999,048 | 1,071,309 | 1,252,865 | 1,562,982 |
| Community Health | 600,067 | 706,322 | 809,120 | 909,261 | 1,056,590 |
| Culture and Recreation | 139,368 | 142,215 | 152,250 | 155,164 | 145,405 |
| General Administration & Finance | 238,064 | 244,773 | 267,997 | 304,073 | 314,298 |
| General City Responsibilities | 121,444 | 110,812 | 144,808 | 129,941 | 113,913 |
| Total Expenditures | \$3,479,654 | \$3,739,582 | \$4,030,503 | \$4,433,849 | \$4,896,675 |
| Excess of Revenues over Expenditures | \$1,157,133 | \$1,249,973 | \$1,859,718 | \$1,039,103 | \$772,480 |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | \$140,272 | \$112,228 | \$104,338 | \$87,618 | \$343,498 |
| Transfers Out | (857,629) | (1,010,785) | (1,468,971) | (1,157,822) | (1,166,855) |
| Other Financing Sources | 1,765 | - | - | - | - |
| Other Financing Uses | - | (178) | (3) | - | (338) |
| Total Other Financing Sources (Uses) | (\$715,592) | (\$898,735) | (\$1,364,636) | (\$1,070,204) | (\$823,695) |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | \$441,541 | \$351,238 | \$495,082 | (\$31,101) | (\$51,215) |
| Total Fund Balance at Beginning of Year | \$1,429,162 | \$1,870,703 | \$2,221,941 | \$2,717,023 | \$2,685,922 |
| Cummulative effect of accounting change | | | | | 35,397 |
| Total Fund Balance at End of Year -- GAAP Basis | \$1,870,703 | \$2,221,941 | \$2,717,023 | \$2,685,922 | \$2,670,104 |
| Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End | | | | | |
| -- GAAP Basis | \$273,827 | \$286,143 | \$326,582 | \$395,776 | \$179,077 |
| -- Budget Basis | \$545,920 | \$616,592 | \$812,687 | \$896,172 | \$901,980 |

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

2 The City recognized \$548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2018-19, representing FY16-17, FY17-18, and FY18-19 (3 fiscal years) of ERAF. Please see "GENERAL FUND REVENUES - Property Taxation" for more information about Excess ERAF.

3 Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes

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

Five-Year Financial Plan and March Update

The Five-Year Financial Plan (“Plan”) is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. Charter Section 9.119 requires that by March 1 of each odd-numbered year, the Mayor submit a Plan to the Board. The City’s Administrative Code requires that by March 1 of each even-numbered year, the Mayor, Board of Supervisors Budget Analyst, and Controller submit an updated estimate for the remaining four years of the most recently adopted Plan.

On January 12, 2022, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller’s Office issued the Plan for fiscal years 2022-23 through 2025-26 (“Joint Report”), which projected cumulative annual surplus of \$26.2 million and \$81.9 million for fiscal years 2022-23 and 2023-24, respectively, and shortfalls of \$38.6 million and \$148.9 million, for fiscal years 2024-25 and 2025-26, respectively. This report was updated on March 31, 2022 (the “March Joint Report”) with a lower surplus in the first two years of the report, and increased deficits in the later years. Since this forecast, the Mayor and Board have already balanced the FY 2022-23 and FY 2023-24 budgets; however, recession risks have increased significantly since then. The next Five Year Plan, for fiscal year 2023-24 through fiscal year 2027-28, will likely be issued in January 2023.

The March Joint Report projects a cumulative annual surplus of \$14.7 million and \$60.0 million for fiscal years 2022-23 and 2023-24, respectively, and shortfalls of \$44.2 million and \$156.2 million for fiscal years 2024-25 and 2025-26, respectively. For fiscal years 2022-23 and 2023-24, this represented a decline of \$33.4 million.

CITY AND COUNTY OF SAN FRANCISCO
Joint Report (Five Year Plan)
Fiscal Years 2022-23 through 2025-26
Projections as of March 31, 2022
(\$ Millions)

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 |
|--|-----------|-----------|-----------|-----------|
| Sources - Increase / (Decrease): | \$111.2 | \$365.7 | \$549.6 | \$743.1 |
| Uses: | | | | |
| Baselines & Reserves | (\$160.4) | (\$237.6) | (\$324.0) | (\$387.5) |
| Salaries & Benefits | (78.5) | (106.3) | (144.4) | (262.5) |
| Citywide Operating Budget Costs | 124.0 | 62.4 | (59.1) | (135.4) |
| Departmental Costs | 18.4 | (24.4) | (66.3) | (113.9) |
| Total Uses - (Increase) / Decrease: | (\$96.5) | (\$305.8) | (\$593.8) | (\$899.3) |
| Projected Cumulative Surplus / (Shortfall): | \$14.7 | \$60.0 | (\$44.2) | (\$156.2) |

On net, the March Joint Report presents modest changes to the January 2022 forecast. Key assumptions in the March Joint Report compared to the January report are:

- Modest additional growth in General Fund sources over the forecast period due to current year activity, improvements in property tax, Federal Emergency Management Agency (FEMA) reimbursements, and interest income, partially offset by weakness in business, hotel, and transfer taxes. Significantly:

- The property tax forecast has been updated to account for the risk from pandemic-induced changes in normal operations, and therefore values of, San Francisco real estate. Projections assume that only those properties that received Proposition 8 temporary reductions in value in 2021 will be considered for reductions in subsequent years. For all other properties, the forecast assumes reduction only if an appeal has been filed with the Assessment Appeals Board, rather than for classes of properties as a whole. As a result, the direct property tax forecast is increased, as is the excess Educational Revenue Augmentation Fund (ERAF) forecast.
- The City's business tax revenues are determined in part by the share of a business' workforce that physically works within the City. As such, the number of workers who telecommute can dramatically affect revenue. The Joint Report assumed the average office worker would telecommute 15% of the time. In weeks leading up to the March Joint Report, more companies have announced specifics for their long-term telecommuting plans, with many companies returning to the office in March and April 2022. Reflecting these plans, the March projection increases its projection of long-term telecommuting from 15% to 33%, beginning in the first quarter of fiscal year 2022-23. Considering current levels of available office space and the potential for more efficient use of existing space, the projection also increases the economic growth assumption from 4% to 5% in fiscal year 2022-23 and from 3% to 4% in all other years of the projection.
- Hotel tax is anticipated to recover to pre-pandemic levels during calendar year 2026. It is projected to grow slightly faster than prior forecast in fiscal year 2022-23, because of pent-up demand from domestic leisure travelers. However, uncertainty related to the return of international, business, and convention-related travel results in slightly lower projections for fiscal years 2023-24, 2024-25, and 2025-26. Revenue per available room, an industry metric highly correlated with hotel tax revenue, is projected to be \$146 million, \$183 million, \$218 million, and \$237 million in fiscal years 2022-23, 2023-24, 2024-25, and 2025-26, respectively.
- Transfers in commercial real estate are expected to stagnate in the next fiscal year as buyers wait for prices to drop and sellers hold during an unfavorable market. This forecast anticipates fiscal year 2022-23 transfer activity to be largely the same as fiscal year 2021-22, adjusting for two historic transfers that generated nearly \$100 million of transfer tax. In fiscal years 2023-24 and 2024-25, transfer tax is expected to increase, recovering to its long-run average of \$456.2 million by fiscal year 2024-25.
- FEMA reimbursements are expected to increase by \$45.9 million during the plan period, fiscal years 2022-23 through 2025-26, versus the January update, largely due to FEMA's extension of eligible costs through June 30, 2022.
- Increases to contributions to Charter-mandated baselines and deposits, largely due to the City's requirement to replenish General Reserve funds in the budget year, when they are used in the current year.
- Increases to salary and benefits costs. The projection updates the employer contribution rate to the San Francisco Employees' Retirement System (SFERS), which increased from 19.91% in

the January projections to 21.35% in the March Joint Report. Health costs for active members are lower compared to prior projections reflecting updated medical enrollments as of March 2022. Health costs for retired City employees are expected to increase at a higher rate than compared to the January projection.

The March Joint Report notes key factors that could materially impact the City's financial condition, including the following:

- **Labor negotiations:** This projection continues to assume approved wage increases in collective bargaining agreements for public safety through the end of fiscal year 2022-23, and applies inflation increases on open contracts in all other years based on the same CPI rates used in the Joint Report. Other than these costs, this report does not assume any contract changes due to active labor negotiations. Wage or benefit changes above or below these assumptions would have a significant impact the projection. See "CITY BUDGET – Other Budget Updates: Fiscal Year 2021-22 Nine-Month Budget Status Report" for updates.
- **Recession risk:** Since the January forecast, economists have become increasingly concerned about the potential for a recession in the next twelve months. The war in Ukraine has increased prices of gasoline, metals, and other raw materials. These increases, along with the excess demand in the labor market, are increasing pressure on the Federal Reserve to raise interest rates to tamp down inflation. Aggressive rate hikes would increase the risk of recession.
- **Retirement contribution rate:** Projections assume the SFERS adopted 7.2% rate of return in fiscal year 2021-22, however, returns through February 28, 2022, were 2.31%. Global markets remain volatile due to continued uncertainty about tighter monetary policy, inflation, and the effect of the war in Ukraine. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period. As discussed in "EMPLOYMENT COSTS; POST EMPLOYMENT OBLIGATIONS – San Francisco Employees' Retirement System ("SFERS" or "Retirement System")," Returns in fiscal year 2021-22 were estimated to be -2.78% at June 30, 2022.
- **COVID-19 pandemic and public health response:** As noted in the Joint Report, the COVID-19 pandemic and its impact on both the local economy and the demands on the City's public health system continue to be areas of great uncertainty. The projection only assumes modest expenses to address COVID-19 that were budgeted in the previous two-year budget process. Any increase in the level of public health response without subsequent additional revenue would impact this forecast.
- **State and federal budget impacts:** In recent years, federal funding has been a significant source of revenue in this forecast. Other than some improvements in FEMA revenue based on current year claims, this forecast does not project any major changes in federal revenue allocations. Further, the Governor introduced changes to the fiscal year 2022-23 State budget in the May Revise, which were further amended by the State legislature; this projection did not assume significant new State budget proposals at the time, aside from modest education funding formula changes noted in the "GENERAL FUND REVENUES – Property Taxation" section herein.

- **Pending or proposed new programs or legislation:** 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 the March Joint Report.

As noted above, the City expects to issue a new Five-Year Financial Plan in January 2023. Since the release of the of the March Joint Report in May 2022, several of the key risk factors noted in the March Joint Report have materialized and based on its preliminary analysis the City expects that the next Five-Year Financial Plan to project materially higher cumulative deficits in latter years. These factors include but are not limited to: further recessionary risks affecting the national and local economy caused in part by interest rates reaching 40 year highs, and remote working continuing at higher levels than projected in the most recent Five-Year Financial Plan with the corresponding effect on business taxes, commercial office vacancies and the general economic impact of having fewer workers returning to their offices. These negative budgetary impacts may be offset in the short-term by performance of certain projected revenues, including hotel and sales taxes. See “CITY FINANCIAL CHALLENGES” and “BUDGETARY RISKS – Office Vacancy in San Francisco” for additional detail.

Other Budget Updates: Fiscal Year 2021-22 Nine-Month Budget Status Report; Preliminary Fiscal Year 2021-22 Year End Analysis

The Nine-Month Budget Status Report (the “Nine-Month Report”) was released on May 16, 2022. The Nine-Month Report indicates a projected General Fund net surplus of \$252.5 million in fiscal year 2021-22, which is a \$120.9 million improvement from the March Joint Report. This includes a \$149.2 million improvement in the projected ending balance in the current year offset by a \$28.3 million deposit in the coming fiscal year required to replenish current year reserve draws.

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Nine Month Report
FY21-22 Projected General Fund Variances to Budget (\$ million)

| | <u>March Joint Report vs FY22 Budget</u> | <u>Nine-Month Report vs FY22 Budget</u> | <u>Change from March Joint Report to Nine-Month Report</u> |
|---|--|---|--|
| FY2020-21 Ending Fund Balance | 205.8 | 205.8 | 0.0 |
| FY2021-22 Anticipated ARPA | 324.9 | 324.9 | 0.0 |
| Appropriation in the FY2021-22 Budget | (498.8) | (498.8) | 0.0 |
| Prior Year Fund Balance Above Budgeted Levels | 31.8 | 31.8 | 0.0 |
| Citywide Revenues | 2.5 | 40.7 | 38.2 |
| Baseline Contributions | (41.0) | (49.3) | (8.3) |
| Departmental Operations | 91.5 | 210.8 | 119.3 |
| Current Year Revenues and Expenditures | 52.9 | 202.1 | 149.2 |
| General Reserve Appropriated - Source | 9.4 | 37.6 | 28.2 |
| Fiscal Cliff Reserve Appropriated - Source | 64.2 | 64.2 | 0.0 |
| Supplemental Appropriations - Expenditure | (73.6) | (101.8) | (28.2) |
| FY2021-22 Mid-Year Appropriation of Fund Balance | (7.4) | (7.4) | 0.0 |
| Approved Supplementals + Mid-Year Appropriations | (7.4) | (7.4) | 0.0 |
| Use of Business Tax Prepayment Reserve | 26.0 | 26.0 | 0.0 |
| Withdrawals from/(Deposits) to Reserves | 26.0 | 26.0 | 0.0 |
| FY2021-22 Projected Ending Balance | 103.3 | 252.5 | 149.2 |
| FY2022-23 Required General Reserve Replenishment | (9.4) | (37.6) | (28.2) |
| Improvement versus Prior Projection | 93.9 | 214.9 | 120.9 |

The following is a discussion of certain elements of the revised fiscal year 2020-21 projections in the Nine-Month Report:

- Implications for upcoming fiscal years.** This improved balance from the current year will increase the projected surplus for the coming two-year budget period, should the Mayor and Board choose to spend it. This improvement is offset by the cost of labor contracts currently pending final negotiation, ratification, and approval. The cost of these labor contracts is higher than assumed in the prior projection by approximately \$180 million during the two year period. Accounting for these two significant factors alone – the current year improvement noted in this report and the cost of pending labor contracts – **would result in projected surplus for the upcoming two-year budget of approximately \$15 million.**
- Primary drivers of this change.** The majority of the change versus the last current fiscal year projection are driven by a \$77.1 million improvement in revenues at the Department of Public Health (DPH). The majority of DPH’s revenue variance is driven by large, one-time grants and audit settlements, including a \$35.7 million threshold change for the Global Payment Program, a \$26.4 million improvement resulting from the extension of the Federal Medical Assistance Percentage emergency rate, and \$17.8 million in other one-time grant and audit settlements. Other notable changes projected in the Nine-Month Report include a \$38.2 million improvement in citywide tax

revenues, predominantly driven by property taxes, and \$18.6 million in improvement due to lower than previously anticipated costs for overtime costs associated with COVID staffing shortages.

Estimated emergency response costs are reflected in these projections. Emergency appropriations have increased the COVID response budget by \$139.7 million, and the Department of Public Health (DPH) has transferred \$10.9 million of Whole Person Care pilot program budget to COVID response. The Board of Supervisors has approved the use of \$32.3 million of state Project RoomKey revenue for the Shelter in Place (SIP) hotel program; while this will fund the program through the end of the current fiscal year, it may not be sufficient for damage repair costs as the City exits hotels. DPH's Nine-Month Report projection reflects additional need of \$9.8 million for its response activities. For the Tenderloin Drug Overdose Emergency, emergency appropriations have increased budget by \$7.4 million, and the Department of Emergency Management has repurposed \$2.0 million of COVID response budget to the Tenderloin Emergency.

Preliminary Fiscal Year 2021-22 year end analysis. The ACFR for fiscal year 2021-22 is anticipated to be issued in December 2022 and final results are still pending. However, based on the City's preliminary analysis, the City expects to have ended fiscal year 2021-22 with a slightly larger General Fund balance than previously projected by the Nine Month Report.

Original Budget for Fiscal Years 2022-23 and 2023-24

On June 1, 2022, the Mayor submitted a proposed, balanced budget for fiscal years 2022-23 and 2023-24 to the Board of Supervisors. On July 26, 2022, the Board of Supervisors adopted an amended final budget, and the Mayor approved this budget on July 27, 2022.

The Original Budget totals \$14.0 billion for fiscal year 2022-23 and \$13.9 billion for fiscal year 2023-24. The General Fund portion is \$6.8 billion in fiscal year 2022-23 and \$6.9 billion in fiscal year 2023-24. There are 33,207 funded full-time equivalent positions in fiscal year 2022-23 and 33,629 in fiscal year 2023-24, representing a year-over-year increase of 1,027 and a year-over-year increase of 422 positions, respectively.

Other Budget Updates: Fiscal Year 2022-23 and 2023-24 Revenue Letter

On June 9, 2022, the Controller's Office published the Revenue Letter, fulfilling a Charter requirement to comment on the revenue estimates assumed in the Mayor's proposed budget. The revenue estimates in the Mayor's proposed budget on June 1, 2022 was largely unchanged versus the budget adopted on July 27, 2022.

The Revenue Letter found tax revenue assumptions to be reasonable, but cautioned revenues are highly dependent on the course of economic reopening, will require frequent monitoring, and are subject to updates as conditions change.

The revenue letter observes the following about Mayor's proposed budget:

- Tax revenue assumptions are reasonable and based on the expectation that San Francisco's economy will recover from the public health emergency over several years, with the help of recently adopted new sources of revenue. The budget broadly assumes General Fund local tax

revenue recovers to pre-pandemic levels by fiscal year 2023-24, with significant projected growth during the two budget years. However, the City's fiscal recovery is largely driven by tax increases and new revenue sources that went into effect during the COVID-19 pandemic or are about to be implemented in the budget years. The impact of the pandemic on the City's core, economically sensitive tax revenues – business, hotel, sales, and parking taxes – is expected to linger beyond the budget years, through fiscal year 2025-26.

In fiscal year 2022-23, the largest increases in General Fund tax revenues are in property, hotel, and executive compensation taxes, with increases of \$263.9 million, \$110.4 million, and \$60.0 million, respectively, from the fiscal year 2021-22 original budget. This growth is partially offset by a decrease in business and cannabis tax. In fiscal year 2023-24, General Fund revenue continues to grow from fiscal year 2022-23, with growth in property, business, and hotel taxes, as the city continues its economic recovery. The General Fund budget includes the November 2020 Proposition F business tax overhaul, which raises gross receipts tax rates; November 2020 Proposition I transfer tax rate increase, which doubled taxes on transfers \$10 million and over; and November 2020 Proposition L tax on executive compensation, which is effective in the 2022 tax year. The combined impact of these policy changes total \$233.0 million and \$304.8 million in fiscal year 2022-23 and fiscal year 2023-24, respectively.

The revenue outlook for the City is closely tied to the recovery of sectors most affected by the pandemic: tourism, office using industries, and small businesses. The extent to which changes in these sectors, including the prevalence of telecommuting, patterns of out-migration, resumption of conventions and international travel, are temporary or permanent will be critically important to the City's tax base. The Revenue Letter notes that the Controller's Office will closely monitor and report on revenues during the upcoming fiscal year, and active management of the City's budget will likely be required by the Mayor and Board of Supervisors.

- The budget assumes nearly \$1 billion of General Fund one-time sources over the two-years, comprised of federal disaster relief, fund balance, and reserves. The budget includes \$407.5 million of FEMA reimbursements for COVID-19 emergency response costs through June 30, 2022, given current estimated timelines for FEMA to obligate and remit funds. The budget also uses \$364.0 million of current year fund balance and \$177.8 million of reserves.

By fiscal year 2023-24, the City will have used more than \$500 million (or about 40%) of its almost \$1.4 billion of reserves, as of fiscal year 2018-19, to support on-going operations. If the City's tax revenues do not grow significantly faster than our latest projections, the City's projected structural deficit will increase as a result. The Mayor's proposed budget maintains a balance of \$380.3 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined "Economic Stabilization Reserves"). General Reserve deposits of \$64.4 million and \$20.6 million in fiscal year 2022-23 and fiscal year 2023-24, respectively, are budgeted at required levels.

- Nonrecurring Revenue Policy. The Board of Supervisors has adopted a nonrecurring revenue policy, codified in Administrative Code Section 10.61, which requires selected nonrecurring revenues to be used only for nonrecurring expenditures. As defined by this policy, the fiscal year 2022-23 and fiscal year 2023-24 budget relies on \$177.8 million of one-time sources (use of reserves) to support \$357.8 million of one-time expenditures.

The revenue letter observes the following key financial risks:

- Economic risk. The budget assumes an economic recovery will drive tax revenue growth of \$557.0 million in fiscal year 2022-23 and \$305.9 million in fiscal year 2023-24. While these assumptions track to the City's economic and financial projections, they are subject to significant uncertainty. Key factors to monitor include whether conditions in the City will remain relatively favorable and continue to permit a growing amount of economic activity to resume; whether return to offices will play out as expected in the coming two fiscal years; and whether the local hospitality and convention industries will recover at the pace underpinning these tax revenue projections. Modest changes in these key factors would drive significant variances in actual financial revenue performance.

In addition, economists have become increasingly concerned about the potential for a recession in the next twelve months. The war in Ukraine has increased prices of gasoline, metals, and other raw materials. These increases, along with the excess demand in the labor market, are increasing pressure on the Federal Reserve to raise interest rates to tamp down inflation. Aggressive rate hikes could increase the risk of recession.

- Laguna Honda Hospital. The City has received notice from the Centers for Medicare and Medicaid Services (CMS) of termination of eligibility for participation in those federal programs for services provided at Laguna Honda Hospital. The City is seeking an extension of those revenue sources during the recertification process, which may take six months or longer to complete. If this request for continuity of payment is not successful, the City would lose approximately \$16 million per month. The City maintains a Public Health Revenue Reserve that may be utilized to offset these losses in the current year, should it occur. See "BUDGETARY RISKS – Laguna Honda Hospital Potential Loss of Federal Funding."
- Federal revenue risk. The City anticipates \$629.5 million of reimbursements from the Federal Emergency Management Agency (FEMA) for public health emergency response costs incurred beginning in March 2020, including amounts in the proposed budget of \$243.4 million in fiscal year 2022-23 and \$164.4 million in fiscal year 2023-24. To date, FEMA has obligated \$222.0 million of claims and \$219.0 million has been paid to the City. The federal reimbursement and auditing process will likely continue for several fiscal years, leaving a key risk to budgeted revenues.
- Structural budget challenges in future fiscal years. As noted above, the Mayor's proposed budget is balanced with a heavy reliance on one-time sources, including FEMA reimbursements, reserves, and fund balance. As proposed, these funds would be depleted over the two-year budget period, leaving a structural budget challenge, projected to be \$44.2 million in fiscal year 2024-25 and \$156.2 million in fiscal year 2025-26 in the March 2022 update to the Five-Year Financial Plan.

BUDGETARY RISKS

In addition to the budgetary risks described below, see "CITY BUDGET – Other Budget Updates: Fiscal Year 2021-22 Nine-Month Budget Status Report" for the most recent periodic budget status update released from the Controller's Office, as required by Section 3.105 of the City Charter.

Threat of Recession

Geopolitical events and successive interest rate increases by the Federal Reserve to combat inflation have increased expectations of recession in financial markets. A 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.

Commuting Pattern Changes

An increase in telecommuting creates revenue risk. 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. San Francisco still lags the state as a whole in time spent at workplaces, and weekly office attendance has reached approximately 40 percent, below other peer cities. As of September 2022, BART ridership was slightly over 30% of pre-pandemic levels. Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

Office Vacancy in San Francisco

On October 19, 2022, the Chief Economist of the City's Office of the Controller released a memorandum regarding the impact of remote work on commercial property and tax revenue in the City. The following summarizes certain portions of such memorandum.

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, currently estimated at 24% in the 3rd quarter of 2022, from around 5% before the pandemic. 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 San Francisco, sublease vacancies were a very high percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate has declined, while the direct vacancy rate has continued to rise.

By mid-2022, direct vacancies accounted for most of the vacant office space in San Francisco, according to Jones Lang LaSalle IP, Inc. ("JLL"). For example, JLL has developed a series of office vacancy rate forecasts for the City, through the year 2026. JLL generally show historically high office vacancy rates persisting throughout the forecast period. JLL forecasts office vacancy in the city to remain between 19.5%

and 25.3% by 2026, a range which is as high, or higher than any previous peak in office vacancy dating back to the 1990s. JLL also forecasts rents to rise again by the end of the forecast period, but at a slower rate than was seen in the 2010s. 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 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.

Under California's Proposition 13, however, a property's assessed value may grow by no more than 2% per year, unless a sale or other assessable event (like new construction) prompts a reassessment. In San Francisco, for several decades, the average market value of most classes of property has increased by well more than 2% annually. Proposition 13 has thus created a situation in which most San Francisco properties, that have not been recently sold, are assessed at levels below their market value. Most properties would not be over-assessed, and property tax revenue would not be at risk, if their market values declined by a small amount. 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.

On November 16, 2022, the Controller's Office provided a presentation to the Board of Supervisors concerning potential property tax implications relating to the continuation of significant remote work by employees of companies located in the City (the "Office Property Tax Presentation"). The presentation noted that remote work has persisted in the City, and that office vacancy rates have risen and could rise further. The Office Property Tax Presentation contained projected property tax losses based on three different market value scenarios provided by JLL relating to continuing remote work and vacancy rates. The projected losses under scenarios ranged from approximately \$80 million to \$150 million by 2026, with a potential widening to \$100 million to \$200 million by 2028, if conditions do not improve. The City cannot predict the actual level of revenues losses, however the City will continue to account for these trends in our periodic reports.

COVID-19 Pandemic

The COVID-19 pandemic is ongoing, and the City will likely incur significant additional costs, depending on the ultimate duration and severity of the pandemic. The City can give no assurance of the duration or severity of the COVID-19 pandemic, and there is no assurance that its effects will not impose more significant financial and operating effects on the City before mitigation measures are successfully implemented.

Bankruptcy Filing by the Pacific Gas and Electric Company (PG&E)

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. As part of its restructuring, on June 9, PG&E announced that it would be relocating its business headquarters, currently located at 245 Market Street and 77 Beale Street in San Francisco, to Oakland. The relocation was expected to begin June 2022.

During the pendency of the PG&E bankruptcy, on September 6, 2019 the City submitted a non-binding indication of interest ("IOI") 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 ("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 the PUC'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 ("CPUC") seeking formal determination of the value of investor-owned 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 the PUC. 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 Recent Voter-Initiated and Approved Revenue Measures on Local Finances

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

The Upland Decision was subsequently affirmed by the California Supreme Court when it declined to review lower court challenges by plaintiffs in two other San Francisco Cases: *City of County of San Francisco v. All Persons Interested in the Matter of Proposition C*, 51 Cal. App. 5th 703 (2020) (Court of Appeal rejected a taxpayer challenge to validity of June Proposition C) and *City of County of San Francisco v. All Persons Interested in the Matter of Proposition G* (July 26, 2021, A16059) (Court of Appeal rejected a taxpayer challenge to validity of Proposition G). In so doing, the Upland Decision was affirmed as binding authority for the proposition that special taxes submitted through a citizen’s initiative process only need pass by a majority vote, and not the supermajority requirement of Article XIII C, Section 2(b) of the State Constitution.

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 Final Adopted Budget for fiscal years 202-23 and 2023-24, and thus changes in State revenues could have a material impact on the City’s finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor’s Proposed Budget required to be submitted in January; and 2) the “May Revise” to the Governor’s Proposed Budget. The Governor’s Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor’s Proposed and May Revise Budgets prior to the City adopting its own budget.

On May 13, 2022, the Governor released the May Revision to the State of California’s Proposed Budget for fiscal year 2022-23 (the “May Revision”). The State estimates that there is a surplus of \$97.5 billion to allocate in the fiscal year 2022-23 budget process. The Governor proposes spending approximately almost all of the \$49 billion discretionary resources on a one-time or temporary basis, including \$18.1 billion to provide inflation relief for California citizens (including tax refunds, emergency rental assistance and assistance with past-due utility bills), \$37 billion for infrastructure investments, and \$2.3 billion on COVID-19-related expenditures. Additionally, the May Revision allocated nearly \$128.3 billion in spending for schools and community colleges throughout the State.

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.

Under the CARES Act, the United States Treasury department distributed \$150 billion to state and local governments within 30 days of enactment under a population-based formula. The statute limits the use of funds to COVID-19 expense reimbursement rather than to offset anticipated State tax revenue losses. The City received a direct allocation of \$153.8 million from this Coronavirus Relief Fund, which was used to cover COVID-19-related medical, public health, economic support, and other emergency response costs. In addition, the State allocated \$20.7 million of its allocation to the City for the same purposes. These funds were spent in fiscal years 2019-20 and 2020-21. The federal government also provides significant funding for COVID-19 expenses through FEMA.

On March 11, 2021, President Biden signed H.R. 1319, the American Rescue Plan Act of 2021 ("ARPA"). The bill includes \$350 billion in state and local government fiscal aid to augment allocations provided in the CARES Act Coronavirus Relief Fund ("CRF"), through which San Francisco is to directly receive \$624.8 million. Distributions occurred in two tranches, one each in 2021 and 2022, and are required to be spent by December 31, 2024. Allowable uses include COVID-19 response or mitigation of the negative economic impacts of it, such as assistance to households, small businesses, nonprofits, and aid to impacted industries. A critical improvement versus CRF funds is that ARPA funds may be used for the provision of government services to the extent of the reduction in revenue. San Francisco will likely benefit from other subventions and grants authorized in the bill. This funding is assumed in the Original Budget for fiscal years 2021-22 and 2022-23.

Laguna Hospital Potential Loss of Federal Funding

The Laguna Honda Hospital and Rehabilitation Center (the "Laguna Honda Hospital") is a skilled nursing facility owned and operated by the City through its Department of Public Health, serving up to over 700 patients, most of whom are low income or extremely low income residents. On March 30, 2022, the City received notice from the Centers for Medicare and Medicaid Services ("CMS"), an agency within the federal Department of Health & Human Services ("DHHS") responsible for administering federal health care programs that, effective April 14, 2022, CMS was terminating its contract with the City for Medicare

and Medicaid reimbursements for patients at the Laguna Honda Hospital. CMS's notice of termination of Laguna Honda Hospital's provider agreement for Medicare and Medicaid reimbursements relates to a series of incidents from July 2021 to March 30, 2022 that the Laguna Honda Hospital self-reported to the California Department of Public Health ("CDPH", the state agency with delegated authority to enforce all applicable regulations and federal conditions of participation for Medicare and Medicaid) and follow up surveys by CDPH and CMS. CDPH and CMS determined that Laguna Honda Hospital had not substantially complied with the CMS conditions of participation in the Medicare program. Out of the approximately \$308.6 million fiscal year 2021-22 budget for operating the Laguna Honda Hospital, approximately \$202.73 million is paid from reimbursements from CMS. The remaining portion of the budget is paid from the City's General Fund. CMS initially agreed to extend funding at least through November 13, 2022. On October 12, 2022, CMS agreed to extend Medicare and Medicaid payment for services through November 13, 2023, contingent on Laguna Honda meeting requirements aimed at making health and safety improvements at the facility. During this period, Laguna Honda will continue to work on quality improvement efforts while aiming to reapply to participate in Medicare and/or Medicaid. Additionally, transfers and discharges of current residents will remain paused until February 2, 2023, with a possibility of a further extension if Laguna Honda complies with its obligations under the terms of the extension. The Laguna Honda Hospital has undertaken steps to address the findings determined by CDPH and CMS. Laguna Honda Hospital plans to seek recertification of its eligibility to participate in Medicare and Medicaid. The City filed an administrative appeal with DHHS challenging the termination and the findings and deficiencies that initiated the termination process of Laguna Honda Hospital's provider agreement. The City also filed a lawsuit against CMS in federal court challenging CMS' termination of Laguna Honda Hospital's Medicare provider agreement on substantive due process grounds. Separately, the Renne Public Law Group filed a lawsuit against CMS and CDPH on behalf of the patients challenging the termination of Laguna Honda Hospital's Medicare provider agreement, the notice of closure, and patient transfer and relocation plan. The administrative appeal and the two lawsuits are ongoing and pending final resolution. The City can make no assurance regarding the outcome of any appeal, lawsuit, or recertification process with CMS, nor can the City predict the outcome of the administrative appeal or lawsuits. Loss of reimbursements from CMS would have a material adverse impact on the Laguna Honda Hospital's finances and operations, depending on whether the loss is temporary or permanent, including its ability to deliver health care services to residents of the City, if such loss of reimbursement funds are not offset by additional funding from the City's General Fund or other available sources. CMS' actions does not revoke Laguna Honda Hospital's license to operate from the CDPH, which the City paid the appropriate fees to renew in September 2022.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (herein after the "Former Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine redevelopment project areas.

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former

redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the “Successor Agency to the Redevelopment Agency of the City and County of San Francisco,” (the “Successor Agency”) also referred to as the “Office of Community Investment & Infrastructure” (“OCII”), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that AB 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency. 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 (“CFD”) 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 and Infrastructure Revitalization Financing Districts (collectively “IFDs”) within the geographic boundaries of the City.

Under the 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 uses 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 total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well

as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. 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

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. It is possible that the COVID-19 pandemic, which triggered business changes such as extended work-from-home policies that resulted in less demand for office spaces, will result in a reduction in property values in the City, and such reduction could be material.

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the San Francisco Unified School District (SFUSD), County Office of Education (SFCOE), San Francisco Community College District (SFCCD), Bay Area Air Quality Management District (BAAQMD), and San Francisco Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-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 the Office of Community Investment and Infrastructure (OCII), the successor agency to the San Francisco Redevelopment Agency. 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 \$133.6 million of property tax increment in fiscal year 2021-22 for recognized obligations, diverting about \$74.3 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 99.18% for fiscal year 2021-22.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2022-23
(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 | 307,832,248 | 2.7% | 1.182 | 3,864,100 | 3,832,546 | 99.2% |
| 2022-23 | 328,530,494 ⁴ | 6.7% | 1.180 | 3,876,660 | 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 2021-22 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2022-23 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

⁴ Based on initial assessed valuations for fiscal year 2022-23

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

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

At the start of fiscal year 2022-23, the total net assessed valuation of taxable property within the City was approximately \$328.5 billion. Of this total, \$311.8 billion (94.9%) represents secured valuations and \$16.7 billion (5.1%) represents unsecured valuations. See “Tax Levy and Collection” below for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year 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 current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, partial reductions of up to approximately 30% of the assessed valuations appealed were granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly, 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. As described further below, the number of new assessment appeals filed as of September 30, 2022, which represents approximately 1.0% of all parcels in San Francisco, increased by approximately 10% from the number of new assessment appeals filed during the same period the prior year.

It is possible that global and national recessions and economic dislocation will result in declines in real estate values in the City, and such declines could be material.

Appeals activity is reviewed each year and incorporated into the current and subsequent years’ budget projections of property tax revenues. Refunds of prior years’ property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2021-22 are listed in Table A-7 below.

TABLE A-7

**CITY AND COUNTY OF SAN FRANCISCO
Reduction of Prior Years' Property Tax Revenues
General Fund
Fiscal Years 2013-14 through 2021-22
(000s)**

| Fiscal Year | Amount Refunded |
|-------------|-----------------|
| 2013-14 | \$25,756 |
| 2014-15 | 16,304 |
| 2015-16 | 16,199 |
| 2016-17 | 33,397 |
| 2017-18 | 24,401 |
| 2018-19 | 30,071 |
| 2019-20 | 17,900 |
| 2020-21* | 10,729 |
| 2021-22 | 16,479 |

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

* Amount reduced in FY2020-21 and forward reflects both Teeter and Non-Teetered property tax amounts.

A property's annual assessed value is determined as of January 1 of the year preceding 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 January 1 of the year preceding the fiscal year for which property taxes are billed and paid. 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. If a property receives a temporary "Proposition 8" reduction, the Assessor is required to annually review the property for a decline-in-value reduction for each subsequent January 1 lien date, until the time when the market value exceeds the property's factored base year value, then the factored base year value will be enrolled as the taxable value for that January 1 lien date.

Assessors in California have authority to use Proposition 8 criteria to apply reductions in valuation to classes of properties affected by any factors affecting value, including but not limited to negative economic conditions. By the start of the fiscal year 2022-23, the Assessor had granted 7,012 temporary decline-in-value reductions, resulting in an assessed value reduction of \$1.25 billion citywide to the 2022 Assessment Roll. The largest number of these reductions, totaling 4,508 and a loss of \$1.01 billion in assessed value, were for condominiums. For comparison, in fiscal year 2020-21, the Assessor granted 2,797 decline-in-value reductions resulting in a total assessed value reduction of \$377.88 million, and in fiscal year 2021-22 the Assessor granted \$2.3 billion in assessed value reductions to the 2021 Assessment Roll.

In addition, qualifying taxpayers seek adjustment of their property assessed values based on a variety of factors. Requests for changes can be motivated by real estate market conditions or other factors.

A qualifying taxpayer can seek assessed value adjustments from the Assessment Appeals Board ("AAB") or from the Assessor or both. There are several types of appeals – Supplemental and Base Year appeals are to establish a property's base value. Escape and Regular Appeals are filed to contest a property's decline in 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 determine the outcome of appeals within two (2) years of each appeal's filing date. Upon hearing a case, the AAB may decide to increase, decrease, or not change an assessment. An appeal 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. If an appeal results in a change in value, the new assessed value will be used to determine the property taxes for the year that was appealed. Subsequently, 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, restores the Proposition 13 base year value. This does not apply to base year appeals.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

In the first quarter of fiscal year 2021-22, the total number of open appeals before the AAB was 4,115, with 2,334 new applications filed. Subsequently, as of June 30, 2022, the total number of open appeals before the AAB had been reduced to 2,670 while an additional 258 new applications were filed during the remainder of the 2021-22 fiscal year.

In the first quarter of fiscal year 2022-23, the total number of open appeals before the AAB was 4,321 with 2,577 new applications filed during this period. The difference between the current assessed value and the taxpayer's opinion of values for all the open applications is \$63.6 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 \$752.6 million would result. The General Fund's portion of that potential \$752.6 million would be approximately \$345.6 million. Per a November presentation by the AAB, potential tax impact of total appeal applications received as of September 30, 2022 in the Financial District, SOMA, and Embarcadero neighborhoods is approximately \$182 million. This describes the worst-case scenario in terms of potential negative revenue impacts for the purposes of illustration based on information as of September 30, 2022. In practice, the City has contested most 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 2,359 appeals closed during fiscal year 2021-22 as of June 30, 2022, 1,769, or 75% of appeals, were withdrawn. The percentage rate of withdrawals increased during fiscal year 2021-22 because hearings were ceased for most of fiscal year 2020-21. Of the 336 appeals closed during the first quarter of fiscal year 2022-23 as of September 30, 2022, 215, or 64% of appeals, were withdrawn.

Nearly all the appeal applications filed during fiscal year 2020-21 challenge the assessed value of property for fiscal year 2020-21. However, because the assessed value of secured property for fiscal year 2020-21 is 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 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. Additionally, under Proposition 8, adopted by California voters in 1978, the Assessor's Office could on its own initiative reduce the assessed value of properties with market values that fall below their values assessed in accordance with Proposition 13. Following a Proposition 8 reduction, the assessed value continues to match the market value until the market value again meets or exceeds the maximum assessed value calculated under Proposition 13, at which point the Proposition 13 base year value is restored.

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 2021-22 was \$3.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City budgeted to receive \$2.0 billion in the General Fund and \$248.1 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive approximately \$214.2 million and \$40.2 million, respectively, and the local ERAF was estimated to receive \$414.9 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency was estimated to receive approximately \$160.0 million. The remaining portion will be 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 is allocated about 47.0% of total property tax revenue before adjusting for the VLF backfill shift and excess ERAF.

General Fund property tax revenues in fiscal year 2020-21 were \$2.2 billion, representing an increase of \$205.9 million (10.5%) over fiscal year 2019-20 actual revenue. The majority of the increase was from excess

ERAF revenue growth of \$131.6 million, due to guidance released to all counties by the State Controller's Office in February 2021 confirming the methodology for considering school district-sponsored charter schools in ERAF calculations, as well as guidance specific to San Francisco that recognized the City's pre-dissolution practice of limiting the property tax increment distributions to the former San Francisco Redevelopment Agency. The remainder of the increase resulted from year-over-year secured roll growth of 7.5%, which also increases Property Tax In-Lieu of Vehicle License Fee allocations. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues.

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

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

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current

delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2020-21
(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 |

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, 2022 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, 2022

| Assessee ¹ | Location | Parcel Number | Type | Total Assessed | |
|--|-----------------------------------|---------------|--------------------|-------------------------|------------------------------|
| | | | | Value ² | % Basis of Levy ³ |
| SUTTER BAY HOSPITALS ⁴ | 1101-1133 VAN NESS | 0695 007 | HOSPITAL | \$2,689,828,828 | 0.817% |
| TRANSBAY TOWER LLC | 415 MISSION ST | 3720 009 | OFFICE | \$1,839,390,574 | 0.559% |
| GSW ARENA LLC | 1 WARRIORS WAY | 8722 026 | ENTERTAINMENT COMP | \$1,488,126,171 | 0.452% |
| PARK TOWER OWNER LLC | 250 HOWARD ST | 3718 040 | OFFICE | \$1,118,038,941 | 0.340% |
| KRE EXCHANGE OWNER LLC | 1800 OWENS ST | 8727 008 | OFFICE | \$1,103,805,000 | 0.335% |
| HWA 555 OWNERS LLC | 555 CALIFORNIA ST | 0259 026 | OFFICE | \$1,091,950,516 | 0.332% |
| ELM PROPERTY VENTURE LLC | 101 CALIFORNIA ST | 0263 011 | OFFICE | \$1,056,523,553 | 0.321% |
| PPF PARAMOUNT ONE MARKET PLAZA LP | 1 MARKET ST | 3713 007 | OFFICE | \$894,928,448 | 0.272% |
| SHR ST FRANCIS LLC | 301-305 POWELL ST | 0307 001 | HOTEL | \$786,924,101 | 0.239% |
| SUTTER BAY HOSPITALS DBA CA PACIFIC MED ⁴ | 3555 CESAR CHAVEZ ST/555 SAN JOSE | 6575 005 | HOSPITAL | \$768,821,895 | 0.234% |
| | | | | \$12,838,338,027 | 3.901% |

¹ Certain parcels fall within RDA 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 of January 1, 2022 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 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 2022-23 valuation of property assessed by the State Board of Equalization in San Francisco is approximately \$4.1 billion.

OTHER CITY TAX REVENUES

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

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

See Table A-10 below for a summary of revenue source as a percentage of total General Fund revenue based on audited financials for fiscal year 2020-21 and the Original Budget for fiscal year 2021-22.

TABLE A-10

| Revenues | FY 2020-21 | | FY 2021-22 | |
|----------------------------------|--------------------|---------------|--------------------|---------------|
| | | | Original Budget | |
| Property Taxes | \$2,332,864 | 41.2% | \$2,115,600 | 39.0% |
| Business Taxes | 722,642 | 12.7% | 957,140 | 17.6% |
| Other Local Taxes | 709,018 | 12.5% | 777,750 | 14.3% |
| Licenses, Permits and Franchises | 12,332 | 0.2% | 27,944 | 0.5% |
| Fines, Forfeitures and Penalties | 4,508 | 0.1% | 4,035 | 0.1% |
| Interest and Investment Income | (1,605) | 0.0% | 36,247 | 0.7% |
| Rents and Concessions | 5,111 | 0.1% | 11,728 | 0.2% |
| Intergovernmental | 1,607,803 | 28.4% | 1,216,765 | 22.4% |
| Charges for Services | 230,048 | 4.1% | 255,111 | 4.7% |
| Other | 46,434 | 0.8% | 24,238 | 0.4% |
| Total Revenues | \$5,669,155 | 100.0% | \$5,426,557 | 100.0% |

Business Taxes

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 2012 election changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, replacing 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 is suspended for one year because the City's 2021 taxable gross receipts did not reach the 90% threshold. In some industries that were particularly hurt during the pandemic, such as retail, trade and food services, tax rates were lowered for businesses with less than \$25 million in gross receipts through 2022. The measure 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.

Pre-audit business tax revenue in fiscal year 2021-22 is \$863.5 million for all funds, representing an increase of \$139.4 million (19.2%) from fiscal year 2020-21. The fiscal year 2022-23 Original Budget is \$904.8 million, an increase of \$41.3 million (4.8%) from the fiscal year 2021-22 actuals. Fiscal year 2023-24 Original Budget is \$962.7 million, an increase of \$57.9 million (6.4%) from fiscal year 2022-23 budget.

Revenues from business tax and registration fees have generally followed economic conditions in the City, primarily employment and wage growth. The COVID-19 emergency significantly adversely affected employment and wage growth, and the City's economic condition is still weak relative to pre-pandemic levels. The unemployment rate in the City peaked at 13.7% in April 2020 and declined steadily since then, reaching 2.1% in August 2022. Just prior to the start of the pandemic, there were approximately 570,000 employed residents in the City. After falling to a low of about 480,000 in April 2020, the number of employed residents has risen to about 550,000, which is still approximately 20,000 fewer than the pre-pandemic level.

Remote work occurring outside the City creates fiscal risk because, for certain categories of businesses, the gross receipts tax is dependent 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. Some of the City's largest employers in these sectors have indicated that employees may be able to work from home permanently or with a hybrid schedule.

For example, according to most recently available public data, Twitter plans to let employees work from home indefinitely, Google expects employees in the office three days per week, and Salesforce is leaving the decision up to individual teams within the company. The budget (for fiscal years 2022-23 and 2023-24) assumes that by the end of 2022, the number of days worked at home for employees in office-centric sectors will remain on average 33% above pre-pandemic levels.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds¹
Fiscal Years 2018-19 through 2023-24
(000s)

| Fiscal Year ² | Revenue | Change | Change % |
|--------------------------------------|-----------|-----------|----------|
| 2018-19 | \$919,552 | \$20,410 | 2.3% |
| 2019-20 | 824,670 | (94,882) | -10.3% |
| 2020-21 | 724,140 | (100,530) | -12.2% |
| 2021-22 <i>pre-audit</i> | 863,510 | 139,370 | 19.2% |
| 2022-23 <i>budgeted</i> ³ | 904,800 | 41,290 | 4.8% |
| 2023-24 <i>budgeted</i> ³ | 962,700 | 57,900 | 6.4% |

¹ Figures exclude Homelessness Gross Receipts and Commercial Rent Taxes that are allocated to special revenue funds.

² Figures for fiscal year 2018-19 through fiscal year 2020-21 are pre-audit actuals. Figures for fiscal year 2021-22 are unaudited. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program and Business Registration Tax.

³ FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Pre-audit hotel tax revenue in fiscal year 2021-22 ended at \$179.1 million (all funds), an increase of \$136.9 million (324.5%) from fiscal year 2020-21. The fiscal year 2022-23 Original Budget is \$216.5 million, an increase of \$37.4 million (20.9%) from fiscal year 2021-22. The fiscal year 2023-24 Original Budget is \$271.0 million (25.2%) from fiscal year 2022-23 budget. 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 2021-22 revenue performed better than previously expected in the Six and Nine Month Reports, as leisure visits and convention activity resumed in 2022, after the winter Omicron surge. The City's five-year forecast anticipates hotel tax will return to pre-pandemic levels by fiscal year 2025-26, with pent-up demand for leisure travel initially driving growth in fiscal year 2021-22 and the resumption of large group events at full capacity contributing to additional growth future fiscal years.

San Francisco's hotel tax is derived from hotel stays from individual business travelers, group events such as conferences and meetings, and leisure tourists. These visitors primarily travel to the City by air. In April 2020, at the height of the first peak of the COVID pandemic, enplanements at SFO decreased by 97% compared to prior year. While air travel has grown since April 2020, the recovery in San Francisco has lagged other metropolitan areas. Enplanements in fiscal year 2020-21 were 65.7% below fiscal year 2019-20 enplanements. In fiscal year 2021-22 enplanements improved 151.2% over the prior fiscal year but were still 39.2% lower as compared to fiscal year 2018-19. Enplanements in August 2022 were below

August 2019 levels by 29.5%, with domestic and international enplanements lower by 30.2% and 27.3%, respectively. San Francisco International Airport's (SFO) geographic location lends itself to being a "gateway" to Asia, and a hub for international travel, which is anticipated to lag domestic travel. The budget assumes the recovery in hotel tax begins with visits to the City from domestic leisure tourists, with the return of business travelers, group events, and international visitors following, given the time needed to plan large gathering and reestablish policies for in-person business meetings. Conventions drive up hotel room rates through compression pricing, which is important to the full recovery of the City's hotel tax base.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of occupancy and average daily room rates (ADR). Despite some slowdown in the growth in the hospitality industry after the 9/11 attacks in 2001 and the global financial crisis in 2008, average annual RevPAR generally grew at a steady rate from fiscal year 2000-01 to fiscal year 2018-19. In fiscal year 2018-19, RevPAR reached an all-time high of \$263.90. In the first eight months of fiscal year 2019-20, RevPAR declined to \$224.50. Due to the COVID-19 pandemic, associated flight bans, and shelter in place orders, RevPAR reached a historic all-time low of \$14.40 in April 2020. RevPAR has steadily improved with the rollout of COVID vaccines and loosened restrictions. Annual average RevPAR in fiscal year 2020-21 was \$42.03 and increased to \$108.77 in fiscal year 2021-22. As of August 2022, RevPAR reached \$162.45, with ADR at \$230.13 and occupancy at 70.6%. Due to compression pricing, large conferences and events such as Dreamforce and RSA can strongly drive up the demand for rooms and ADR. As traffic at SFO improves and conventions return to San Francisco, RevPAR is projected to continue rising. The Original Budget for fiscal years 2022-23 and 2023-24 assumes annual average RevPAR will increase significantly in the next two fiscal years – \$146.37 in fiscal year 2022-23 and \$183.30 in fiscal year 2023-24. However, annual average RevPAR is not expected to recover to pre-pandemic levels until fiscal year 2025-26. Full recovery will depend on the return of visitors from Asia, where several large markets, including China's, continue to maintain significant COVID restrictions on travel.

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TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2018-19 through 2023-24
(000s)

| Fiscal Year ² | Tax Rate | Revenue | Change | |
|--------------------------------------|----------|-----------|-----------|--------|
| 2018-19 | 14.0% | \$414,343 | \$28,792 | 7.5% |
| 2019-20 | 14.0% | 281,615 | (132,728) | -32.0% |
| 2020-21 | 14.0% | 42,195 | (239,420) | -85.0% |
| 2021-22 <i>pre-audit</i> | 14.0% | 179,134 | 136,939 | 324.5% |
| 2022-23 <i>budgeted</i> ³ | 14.0% | 216,542 | 37,408 | 20.9% |
| 2023-24 <i>budgeted</i> ³ | 14.0% | 271,030 | 54,488 | 25.2% |

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 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are unaudited.

³ FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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. After the passage of Proposition W on November 8, 2016, transfer tax rates were \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$27.50 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million; and \$30.00 per \$1,000 for properties valued at more than \$25.0 million. After the passage of Proposition I in November 2020, transfer tax rates were doubled for the two highest tiers, to \$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.

Pre-audit RPTT revenue for fiscal year 2021-22 ended at \$518.8 million, a \$174.1 million (50.5%) increase from fiscal year 2020-21 revenue. The fiscal year 2022-23 Original Budget is \$390.5 million, a reduction of \$128.3 million (24.7%) from the fiscal year 2021-22 actual. The fiscal year 2023-24 Original Budget is \$423.3 million, an increase of \$32.7 million (8.4%) from prior year budget. The entirety of RPTT revenue is recorded in the General Fund.

Despite a decrease in the number of large transactions since fiscal year 2018-19, the total dollar value of transfer tax is increasing primarily due to the Proposition I rate change and to a handful of large, once-in-a-generation transfers in the first six months of this year. The effect of Proposition I in fiscal year 2021-22, which took effect in January 2021, is \$178.1 million in fiscal year 2021-22.

As the City’s most volatile revenue source, RPTT collections can see large year-over-year changes that have exceeded 70% in some instances. The main factors creating volatility are sales of high-value properties, availability of financing, and the relative attractiveness of San Francisco real estate compared to global investment options, all of which track closely with economic cycles, as well as voter-approved rate changes, which occurred in 2008, 2010, 2016, and 2020. The volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over \$25 million. In fiscal year 2008-09, transactions above \$25 million would have generated only \$10.6 million under the current rates compared to the peak in fiscal year 2016-17, when these transactions generated \$295.8 million. Since the end of the recession in fiscal year 2009-10, these large transactions made up on average 58.0% of total revenue but only 0.6% of the transaction count. This means that revenue is determined by a small handful of transactions. In the two recessions prior to COVID, the taxes collected on large transactions fell dramatically.

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts - All Funds
Fiscal Years 2018-19 through 2023-24
(000s)

| Fiscal Year ¹ | Revenue | Change | |
|--------------------------------------|-----------|-----------|--------|
| 2018-19 | \$364,044 | \$83,628 | 29.8% |
| 2019-20 | 334,535 | (29,509) | -8.1% |
| 2020-21 | 344,683 | 10,148 | 3.0% |
| 2021-22 <i>pre-audit</i> | 518,791 | 174,108 | 50.5% |
| 2022-23 <i>budgeted</i> ² | 390,480 | (128,311) | -24.7% |
| 2023-24 <i>budgeted</i> ² | 423,340 | 32,860 | 8.4% |

¹ Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are unaudited.

² FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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.

Pre-audit local sales tax (the 1% portion) revenue in fiscal year 2021-22 was \$188.3 million, an increase of \$41.5 million (28.2%) more than fiscal year 2020-21. The fiscal year 2022-23 Original Budget is \$182.9 million, a reduction of \$5.5 million (2.9%) from the fiscal year 2021-22 actual. The fiscal year 2023-24 Original Budget is \$193.1 million, an increase of \$10.3 million (5.6%) from prior year budget. 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.

The improvement from prior projections is a result of pandemic recovery and continued re-opening of the economy, and particularly notable in general consumer goods and restaurants and hospitality. Reduced restrictions on indoor dining and a return of visitors for work and travel resulted in large gains as compared to fiscal year 2020-21. Consumer spending in apparel, electronics, jewelry, and home furnishings has grown year over year. Sales tax from vehicle purchases is strong due to high demand along with inventory constraints, and tax from fuel sales has risen with higher prices and consumption. Despite rapid and better-than-expected growth in fiscal year 2021-22, sales tax revenues are not projected to reach pre-pandemic levels until fiscal year 2025-26.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2018-19 through 2023-24
General Fund
(000s)

| Fiscal Year ¹ | Tax Rate | City Share | Revenue | Change | |
|--------------------------------------|----------|------------|-----------|----------|--------|
| 2018-19 | 8.50% | 1.00% | \$213,625 | \$20,679 | 10.7% |
| 2019-20 | 8.50% | 1.00% | 180,184 | (33,441) | -15.7% |
| 2020-21 | 8.50% | 1.00% | 146,863 | (33,321) | -18.5% |
| 2021-22 <i>pre-audit</i> | 8.625% | 1.00% | 188,337 | 41,474 | 28.2% |
| 2022-23 <i>budgeted</i> ² | 8.625% | 1.00% | 182,870 | (5,467) | -2.9% |
| 2023-24 <i>budgeted</i> ² | 8.625% | 1.00% | 193,120 | 10,250 | 5.6% |

¹ Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are unaudited.

² FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- Access Line Tax (“ALT”) – A charge of \$3.80 on every telecommunications line, \$28.58 on every trunk line, and \$514.49 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 by one year twice. The cannabis tax will now take effect beginning January 1, 2023.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.
- Tax on Executive Pay – 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 will not be received until fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, 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. The fiscal year 2022-23 and 2023-24 Original Budget assumes \$60 million and \$80 million revenue from this new source, respectively.

Table A-16 reflects the City’s actual tax receipts for fiscal years 2017-18 through 2020-21, pre-audit actuals for fiscal year 2021-22 and Original Budget for fiscal years 2022-23 and 2023-24.

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 and March Update” and “Other Budget Updates: Fiscal Year 2021-22 Nine-Month Budget Status Report” for a summary of the most recent projections.

TABLE A-16

| CITY AND COUNTY OF SAN FRANCISCO | | | | | | |
|---|----------|----------|----------|-----------|---------------------|---------------------|
| Other Local Taxes | | | | | | |
| Fiscal Years 2018-19 through 2023-24 | | | | | | |
| General Fund | | | | | | |
| (000s) | | | | | | |
| Tax | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| | Actuals | Actuals | Actuals | Pre-Audit | Budget ² | Budget ² |
| Utility Users Tax | \$93,918 | \$94,231 | \$81,367 | \$106,771 | \$82,630 | \$83,840 |
| Access Line Tax | 48,058 | 49,570 | 44,700 | 55,710 | 47,100 | 48,560 |
| Parking Tax | 86,020 | 69,461 | 47,555 | 71,122 | 80,180 | 82,550 |
| Sugar Sweetened Beverage Tax | 16,098 | 13,182 | 10,435 | 11,973 | 13,280 | 13,010 |
| Stadium Admissions Tax | 1,215 | 2,730 | 182 | 4,615 | 5,400 | 11,300 |
| Cannabis Tax | N/A | N/A | N/A | N/A | - | 10,250 |
| Franchise Tax | 15,640 | 16,028 | 14,898 | 15,355 | 14,250 | 14,250 |
| Tax on Executive Pay | N/A | N/A | N/A | N/A | 60,000 | 80,000 |

¹ Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are unaudited.

² FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See “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 2017-18 through 2020-21, Pre-audit actuals for fiscal year 2021-22 and Original Budget for fiscal years 2022-23 and 2023-24. State-wide sales tax has performed better than local sales tax and is expected to recover faster than the City’s sales tax; therefore, formula-driven subventions are expected to grow faster than local sales tax. The State of California temporarily backfilled county realignment revenues in fiscal year 2020-21. The value of this backfill to the City is \$28.0 million.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2018-19 through 2023-24
(\$millions)

| Tax | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|---|----------------|----------------|----------------|----------------|---------------------|---------------------|
| | Actuals | Actuals | Actuals | Pre-Audit | Budget ² | Budget ² |
| Health and Welfare Realignment | | | | | | |
| General Fund | \$217.6 | \$219.6 | \$188.9 | \$283.5 | \$269.1 | \$274.9 |
| Hospital Fund | 58.5 | 54.1 | 48.1 | 67.1 | 64.9 | 65.2 |
| Total - Health and Welfare | \$276.1 | \$273.7 | \$237.1 | \$350.6 | \$334.1 | \$340.1 |
| Backfill Realignment³ | | | | | | |
| General Fund | | | \$22.1 | | | |
| Non General Fund | | | 6.0 | | | |
| Total - Backfill Realignment | | | \$28.0 | | | |
| Public Safety Realignment (General Fund) | \$39.4 | \$41.1 | \$38.4 | \$52.1 | \$61.7 | \$66.0 |
| Public Safety Sales Tax (Prop 172) (General Fund) | \$107.6 | \$103.9 | \$105.0 | 93.8 | \$89.7 | \$94.2 |

1 Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are unaudited.

2 FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

3 Backfill Realignment is a one-time State funding to fill the shortfall in Health and Welfare Realignment and Public Safety Realignment due to the decrease of sales tax and vehicle license fees.

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

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco 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 2018-19 through 2023-24
(000s)

| Major Service Areas | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|-----------------|-----------------|-----------------|---------------------------------|---------------------------------|---------------------------------|
| | Final Budget | Final Budget | Final Budget | Original Budget ¹ | Original Budget ² | Original Budget ² |
| Public Protection | \$1,390,266 | \$1,493,240 | \$1,505,780 | \$1,507,122 | \$1,675,801 | \$1,678,498 |
| Human Welfare & Neighborhood Development | 1,120,892 | 1,270,530 | 218,986 | 1,418,406 | 1,576,410 | 1,551,143 |
| Community Health | 967,113 | 1,065,051 | 1,605,573 | 1,056,459 | 1,162,956 | 1,168,262 |
| General Administration & Finance | 290,274 | 332,296 | 1,158,599 | 497,915 | 338,055 | 365,922 |
| Culture & Recreation | 154,056 | 161,274 | 147,334 | 220,866 | 197,596 | 204,661 |
| General City Responsibilities | 172,028 | 137,851 | 332,997 | 243,733 | 226,931 | 256,020 |
| Public Works, Transportation & Commerce | 214,928 | 216,824 | 126,993 | 236,525 | 262,733 | 229,775 |
| Total ² | \$4,309,557 | \$4,677,066 | \$5,096,262 | \$5,181,026 | \$5,440,482 | \$5,454,281 |

¹ Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are from the Final Budget, July 29, 2021.

² FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

³ Total may not add due to rounding.

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

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff’s Office. Human Welfare & Neighborhood Development includes the Department of Human Services’ aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as “baselines,” “set-asides,” or “mandates”. The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 reflects fiscal year 2022-23 and 2023-24 spending requirements in the Original Budget. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

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TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
 Baselines & Set-Asides
 FY 2022-23 and FY 2023-24
 (\$millions)

| | 2022-23 Original Budget ¹ | 2023-24 Original Budget ¹ |
|--|--|--|
| Projected General Fund Aggregate Discretionary Revenue (ADR) | \$4,329.2 | \$4,657.5 |
| Municipal Transportation Agency (MTA) | | |
| MTA - Municipal Railway Baseline: 6.686% ADR | \$306.0 | \$328.9 |
| MTA - Parking & Traffic Baseline: 2.507% ADR | 108.5 | 116.8 |
| MTA - Population Adjustment | 58.0 | 87.3 |
| MTA - 80% Parking Tax In-Lieu | 64.1 | 66.0 |
| Subtotal - MTA | \$536.7 | \$599.0 |
| Library Preservation Fund | | |
| Library - Baseline: 2.286% ADR | \$99.0 | \$106.5 |
| Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV) | 75.6 | 79.6 |
| Subtotal - Library | \$174.6 | \$186.1 |
| Children's Services | | |
| <i>Children's Services Baseline - Requirement: 4.830% ADR</i> | <i>\$209.1</i> | <i>\$224.9</i> |
| Children's Services Baseline - Eligible Items Budgeted | 231.4 | 227.8 |
| <i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i> | <i>25.1</i> | <i>27.0</i> |
| Transitional Aged Youth Baseline - Eligible Items Budgeted | 37.1 | 37.0 |
| Public Education Services Baseline: 0.290% ADR | 12.6 | 13.5 |
| Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV | 121.2 | 126.5 |
| <i>Public Education Enrichment Fund: 3.057% ADR</i> | <i>132.3</i> | <i>142.4</i> |
| 1/3 Annual Contribution to Preschool for All | 44.1 | 47.5 |
| 2/3 Annual Contribution to SF Unified School District | 88.2 | 94.9 |
| Subtotal - Children's Services | \$534.6 | \$547.3 |
| Recreation and Parks | | |
| Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV | \$75.6 | \$79.6 |
| <i>Recreation & Parks Baseline - Requirement</i> | <i>82.2</i> | <i>85.2</i> |
| Recreation & Parks Baseline - Budgeted | 88.6 | 95.0 |
| Subtotal - Recreation and Parks | \$164.3 | \$174.6 |
| Other | | |
| <i>Housing Trust Fund Requirement</i> | <i>\$45.2</i> | <i>\$44.5</i> |
| Housing Trust Fund Budget | 45.2 | 44.5 |
| Dignity Fund | 56.1 | 59.1 |
| Street Tree Maintenance Fund: 0.5154% ADR | 22.3 | 24.0 |
| Municipal Symphony Baseline: \$0.00125 per \$100 NAV | 4.0 | 4.2 |
| City Services Auditor: 0.2% of Citywide Budget | 26.1 | 25.7 |
| Subtotal - Other | \$153.7 | \$157.4 |
| Recently Adopted Expenditure Requirements | | |
| <i>Our City, Our Home Baseline Requirement (Nov 2018 Prop C)</i> | <i>215.0</i> | <i>215.0</i> |
| Our City, Our Home Budget, Estimated | 367.9 | 364.2 |
| <i>Early Care and Education Baseline Requirement (June 2018 Prop C)</i> | <i>91.1</i> | <i>98.0</i> |
| Early Care and Education Budget | 94.7 | 98.3 |
| Total Baselines and Set-Asides | \$2,026.4 | \$2,126.8 |

¹ FY 2022-23 and 2023-24 amounts represent the Original Budget, adopted July 27, 2022.

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 \$6.5 billion and \$6.6 billion in fiscal years 2022-23 and 2023-24 in the Original Budget. For the General Fund, the combined salary and benefits Original Budget is \$3.1 billion in each year of the 2022-23 and 2023-24 .

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. Employees of SF Unified School District ("SFUSD"), SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's Original Budget for fiscal year 2022-23 included 39,246 full-time and part-time budgeted and funded 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; the International Federation of Professional and Technical Engineers, Local 21; and the unions representing Police, Fire, Deputy Sheriffs, and Transit Workers.

Wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of impasse. If impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Nurses and a small group of unrepresented employees. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of sworn police officers and fire fighters.

For fiscal year 2021-22, all parties agreed to a base wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022 (miscellaneous unions only), with a provision to delay the fiscal year 2021-22 increase by six months if the City's budget deficit for fiscal year 2021-22, as projected in the 2021 March Joint Report, exceeded \$200 million. The scheduled July 1, 2021 wage increase was implemented as the 2021 March Joint Report did not project a \$200 million deficit. For fiscal year 2021-22, the Unrepresented Employee Ordinance was passed approving a wage increase of 3%.

In May 2022, the City negotiated two-year agreements (for fiscal years 2022-23 through 2023-24) with 27 labor unions. For the fiscal year 2022-23, the parties agreed to a base wage increase of 5.25% on July 1, 2022. For fiscal year 2023-24, the parties agreed to a base wage increase schedule of 2.5% on July 1, 2023 and 2.25% on January 6, 2024, with a provision to delay the fiscal year 2023-24 increases by six months if the City's budget deficit for fiscal year 2023-24, as projected in the 2023 March Joint Report, exceeded \$300 million.

The City had previously negotiated a 2.0% base wage increase with labor organizations representing sworn members of the Police department due on July 1, 2020 and delayed to the pay period including January 1, 2021. The parties then agreed to defer this increase until the close of business on June 30, 2022. The parties also previously negotiated a 1% base wage increase to be effective January 1, 2021 and delayed until June 30, 2021. The parties then agreed to defer this increase until the close of business on June 30, 2022 as well. The parties agreed to a base wage increase of 3.0% on July 1, 2021. For the fiscal year 2022-23, the parties agreed to a base wage increase of 3.0% on July 1, 2022, with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2022-23, as projected in the 2022 March Joint Report, exceeded \$200 million.

The City had previously negotiated a 3% base wage increase with labor organizations representing the sworn members of the Fire department due on July 1, 2020 and delayed to the pay period including January 1, 2021. The parties then agreed to defer this increase until the close of business on June 30, 2022. The parties agreed to a base wage increase of 3.0% on July 1, 2021. For the fiscal year 2022-23, the parties agreed to a base wage increase of 3.0% on July 1, 2022, with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2022-23, as projected in the 2022 March Joint Report, exceeded \$200 million.

Also, in May 2022, the MTA negotiated two-year agreements (for fiscal years 2022-23 through 2023-24) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others. The parties agreed to the same wage increase schedule as the City, with the same wage deferral triggers.

In the Fall of 2022, the City will commence bargaining successor MOUs with labor organizations representing sworn members of Fire and Police departments.

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TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of September 27, 2022

| Organization | City Budgeted Positions | Expiration Date of MOU |
|--|------------------------------------|-----------------------------------|
| Automotive Machinists, Local 1414 | 542 | 30-Jun-24 |
| Bricklayers, Local 3 | 3 | 30-Jun-24 |
| Building Inspectors' Association | 88 | 30-Jun-24 |
| Carpenters, Local 22 | 101 | 30-Jun-24 |
| Carpet, Linoleum & Soft Tile | 1 | 30-Jun-24 |
| Cement Masons, Local 300 | 16 | 30-Jun-24 |
| Deputy Probation Officers' Association (DPOA) | 124 | 30-Jun-24 |
| Deputy Sheriffs' Association (DSA) | 792 | 30-Jun-24 |
| Electrical Workers, Local 6 | 1,003 | 30-Jun-24 |
| Firefighters' Association, Local 798 | 2,011 | 30-Jun-23 |
| Glaziers, Local 718 | 10 | 30-Jun-24 |
| Hod Carriers, Local 36 | 3 | 30-Jun-24 |
| Ironworkers, Local 377 | 13 | 30-Jun-24 |
| Laborers, Local 261 | 883 | 30-Jun-24 |
| Municipal Attorneys' Association (MAA) | 494 | 30-Jun-24 |
| Municipal Executives' Association (MEA) Fire | 12 | 30-Jun-23 |
| Municipal Executives' Association (MEA) Miscellaneous | 1,655 | 30-Jun-24 |
| Municipal Executives' Association (MEA) Police | 16 | 30-Jun-23 |
| Operating Engineers, Local 3 Miscellaneous | 55 | 30-Jun-24 |
| Operating Engineers, Local 3 Supervising Probation | 28 | 30-Jun-24 |
| Pile Drivers, Local 34 | 27 | 30-Jun-24 |
| Plumbers, Local 38 | 349 | 30-Jun-24 |
| Police Officers' Association (POA) | 2,360 | 30-Jun-23 |
| Professional and Technical Engineers, Local 21 | 7,130 | 30-Jun-24 |
| Roofers, Local 40 | 11 | 30-Jun-24 |
| SEIU, Local 1021, H-1 | 1 | 30-Jun-24 |
| SEIU, Local 1021 Misc | 13,348 | 30-Jun-24 |
| SEIU, Local 1021 Nurses | 1,840 | 30-Jun-24 |
| SF City Workers United | 134 | 30-Jun-24 |
| SFDA Investigators Association | 44 | 30-Jun-24 |
| Sheet Metal Workers, Local 104 | 31 | 30-Jun-24 |
| Sheriffs' Supervisory and Management Association (MSA) | 118 | 30-Jun-24 |
| Stationary Engineers, Local 39 | 689 | 30-Jun-24 |
| Teamsters, Local 853 | 130 | 30-Jun-24 |
| Teamsters, Local 856, Multi | 98 | 30-Jun-24 |
| Teamsters, Local 856, Supervising Nurses | 134 | 30-Jun-24 |
| Theatrical Stage Emp, Local 16 | 32 | 30-Jun-24 |
| TWU, Local 200 | 512 | 30-Jun-24 |
| TWU, Local 250-A, Auto Service Work | 135 | 30-Jun-24 |
| TWU, Local 250-A, Miscellaneous | 108 | 30-Jun-24 |
| TWU, Local 250-A, Transit Fare Inspectors | 45 | 30-Jun-24 |
| TWU, Local 250-A, Transit Operator | 2,670 | 30-Jun-24 |
| Union of American Physicians and Dentists (UAPD) | 210 | 30-Jun-24 |
| Unrepresented Employees | 93 | 30-Jun-24 |
| Other | 1,147 | |
| | 39,246 | |

San Francisco Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as Chief Executive Officer 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, 2021 is 44,770, compared to 45,070 as of July 1, 2020. Active membership as of July 1, 2021 includes 10,066 terminated vested members and 1,060 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 30,854 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, 2017 through July 1, 2021. 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 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 with the decline in number of active members.

TABLE A-21

**City and County of San Francisco
Employees' Retirement System
July 1, 2017 through July 1, 2021**

| As of July 1st | Active Members | Vested Members | Reciprocal Members | Total Non-retired | Retirees/ Continuants | Retiree to Active Ratio |
|-------------------|-------------------|-------------------|-----------------------|----------------------|--------------------------|----------------------------|
| 2017 | 33,447 | 7,381 | 1,039 | 41,867 | 29,127 * | 0.871 |
| 2018 | 33,946 | 8,123 | 1,060 | 43,129 | 29,965 * | 0.883 |
| 2019 | 34,202 | 8,911 | 1,044 | 44,157 | 29,490 | 0.862 |
| 2020 | 34,521 | 9,478 | 1,071 | 45,070 | 30,128 | 0.873 |
| 2021 | 33,644 | 10,066 | 1,060 | 44,770 | 30,854 | 0.917 |

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See Retirement'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.

*Retiree member counts reflect combining records for members who have both a Safety and a Miscellaneous benefit.

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the December 9, 2020 Retirement Board meeting, the Board adopted all recommended demographic assumptions from the experience study dated August 12, 2020. The most significant adjustment was the update to the new Society of Actuaries public plan mortality tables, Pub-2010, for both general and safety members. The Board also adopted lower price and wage inflation rates, from 2.75% to 2.50% and from 3.50% to 3.25%, respectively. The new assumptions were first effective for the July 1, 2020 actuarial valuation. At the November 10, 2021 Board meeting, the Board lowered the assumed long-term investment earnings assumption from 7.40% to 7.20% , effective for the July 1, 2021 actuarial valuation. In the short term, this decrease is expected to result in increases in City contributions. In the long term, the true cost of a pension plan is determined by actual results and not by assumptions. At the November 17, 2022 Board meeting, the Board voted to maintain the actuarial assumptions at their current levels.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through

collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, 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.

Employer Contribution History and Annual Valuations

Fiscal year 2020-21 City employer contributions to the Retirement System were \$791.7 million, which includes \$388.4 million from the General Fund. For fiscal year 2021-22, total City employer contributions to the Retirement System were \$719.5 million, which included \$423.4 million from the General Fund. The fiscal year 2022-23 employer contribution rate is 21.35% (estimated to be 18.21% after cost-sharing), with a total budget of \$721.5 million, which includes \$434.3 million in the General Fund. The rate change reflects a reduction of the amortization period from twenty to five years, including investment gains from fiscal year 2020-21, offset by the drop in assumed investment return from 7.4% to 7.2% and the July 1, 2021 supplemental COLA to all retired members and their beneficiaries. Employer contribution rates anticipate annual increases in pensionable payroll of 3.5%. As discussed under "CITY BUDGET – Five-Year Financial Plan and March Update" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-22 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2016-17 through 2020-21. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

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TABLE A-22

**City and County of San Francisco
Employees' Retirement System
Fiscal Years 2016-17 through 2020-21
(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 |
|-------------------|------------------------|---------------------------|------------------------------|-----------------------------|--------------------------------|--|---|
| 2017 | \$ 25,706,090 | \$ 22,410,350 | \$ 22,185,244 | 87.2% | 86.3% | \$ 868,653 | 21.40% |
| 2018 | 27,335,417 | 24,557,966 | 23,866,028 | 89.8% | 87.3% | 983,763 | 23.46% |
| 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% |

¹ Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C.

Employer contribution rates for fiscal years 2021-22 and 2022-23 are 24.41% and 21.35%, 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 the website is not incorporated herein by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2021, the Market Percent Funded ratio was much higher than the Actuarial Percent Funded ratio. The Retirement System's investment portfolio had a 33.7% return during fiscal year 2020-21, the highest fiscal return in the System's history. The July 1, 2021 actuarial value of assets only reflects 20% of this high return. Returns in fiscal year 2021-22 were estimated to be -2.78% at June 30, 2022. Global markets remain volatile due to continued uncertainty about tighter monetary policy, inflation, and the effect of the war in Ukraine. Even so, the large gap between market value of assets and actuarial value of assets provides a cushion for future adverse experience. Employer contribution rates are anticipated to continue to decline in the next few years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Risks to City's Retirement Plan

In its 2021 actuarial report, Cheiron identified three primary risks to the 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 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. Certain groups of retirees may not receive a supplemental COLA unless the pension plan is deemed to be fully funded on a market value basis. Due to the large fiscal year 2020-21 return, the plan was deemed to be fully funded on June 30, 2021 and all members in annuitant status received a Supplemental COLA effective July 1, 2021. 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 noted stress testing the supplemental COLA provision shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk prudently.

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 at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAs that have already been granted as of the valuation date.

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

| City and County of San Francisco Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2016-17 through 2020-21 (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 |
| 2017 | \$27,403,715 | 7.50 | \$22,410,350 | 81.8 | \$4,993,365 | \$4,697,131 |
| 2018 | 28,840,673 | 7.50 | 24,557,966 | 85.2 | 4,282,707 | 4,030,207 |
| 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) |

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.

Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

NPL can be quite volatile. The increase in NPL between fiscal year-ends 2018 and 2019 is attributable to the decline in discount rate from 7.5% to 7.4%, while the increase in NPL at fiscal year-end 2020 is due to lower than expected investment returns during fiscal year 2019-2020. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during the year.

Asset Management

The assets of the Retirement System, (the “Fund”) are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2021 was 13.38%. For the ten-year and twenty-year periods ending June 30, 2021, annualized investment returns were 10.41% and 8.19% 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.

2011 Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. The most recent amendment, 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, 2021, the audited market value of Retirement System assets was \$35.7 billion. As of September 30, 2022, the unaudited value of the System assets was \$32.5 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 \$45.6 million in fiscal year 2020-21. 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 and \$5.0 million in fiscal year 2021-22 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 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, or by calling (628)

652-4646. 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 "Other Post-Employment Benefits Trust Fund"). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("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 the Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." The "average contribution" is used to calculate the City's required contribution to the Health Service System Trust Fund for retirees.

Unions representing approximately 93.3% 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.*"

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City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the Table below.

| Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009 | |
|---|---|
| Years of Credited Service at Retirement | Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3) |
| Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty) | No Retiree Medical Benefits Coverage |
| At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) (A8.428 Subsection (b)(6)) | 0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage |
| At least 10 but less than 15 years of Credited Service with the Employers (AB.428 Subsection (b)(5)) | 50% |
| At least 15 but less than 20 years pf Credited Service with the Employers (AB.428 Subsection (b)(5)) | 75% |
| At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty (AB.428 Subsection (b)(4)) | 100% |

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the “ACA”). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes and the current status are as follow:

- **Excise Tax on High-cost Employer-sponsored Health Plans**

The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. The National Defense Authorization Act for Fiscal Year 2020 repealed the Cadillac tax, effective January 1, 2020.

- **Health Insurance Tax (“HIT”)**

The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. The HIT was in effect in 2020 and substantially impacted rates. The tax was repealed effective January 1, 2021 also by the National Defense Authorization Act for Fiscal Year 2020.

- **Medical Device Excise Tax**

The ACA’s medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). The tax was repealed effective January 1, 2020.

- **Patient-Centered Outcomes Research Institute (PCORI) Fee**

Congress revived and extended the 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 2020-21, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$853.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$735.6 million; approximately \$236.6 million of this \$735.6 million amount was for health care benefits for approximately 23,201 retired City employees and their eligible dependents, and approximately \$499 million was for benefits for approximately 32,956 active City employees and their eligible dependents.

The 2022 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 2.16%, which is below national trends of 4.7% to 5.7%. This can be attributed to several factors including contracting by SFHSS that maintains competition among the health plans, implementing value-based models such as Accountable Care Organizations, increased use of generic prescription, and changing the City’s Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows premiums to be set by the City’s actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the city, and reserves are required to protect against this risk. The 2022 aggregate cost of benefits offered by SFHSS to the City increased 1.28% which is also less than the national trends.

Post-Employment Health Care Benefits

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by these employees equal to 2% of their salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and reached the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2019 is approximately \$366.6 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

GASB 75 Reporting Requirements

In June 2015, GASB issued 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 postemployment benefits obligation at least once every two years. As of the measurement date of June 30, 2020 (issued December 2021), used in the most recent actuarial valuation report updated June 30, 2020, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 11.3%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of \$489.0 million divided by the total OPEB liability of \$4.3 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$3.95 billion, and the ratio of the Net OPEB liability to the covered payroll was 96.7%.

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. Five-year trend information is displayed in Table A-24, which reflects the annual OPEB expense and the City's charter mandated payments on a percentage basis. For example, for fiscal year 2020-21 the annual OPEB expense was \$320.7 million, and the City paid \$246.0 million, which includes "pay-as-you-go" benefit payments and contributions to the Retiree Health Care Trust Fund.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2015-16 to 2020-21
(000s)

| Fiscal Year | Annual OPEB | Percentage of Annual OPEB Cost Funded | Net OPEB Obligation |
|-------------|-------------|---------------------------------------|------------------------|
| 2015-16 | \$326,133 | 51.8% | \$2,147,434 |
| 2016-17 | 421,402 | 43.6% | 2,384,938 |
| 2017-18 | 355,186 | 57.4% | 3,717,209 ¹ |
| 2018-19 | 320,331 | 68.2% | 3,600,967 |
| 2019-20 | 330,673 | 71.4% | 3,915,815 ² |
| 2020-21 | 320,684 | 76.7% | 3,823,335 |

¹ Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

² Fiscal Year 2019-20 figures are unaudited.

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 2017-18 through 2020-21 and budgeted costs for fiscal years 2021-22 through 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 Budget ⁵ | 2022-23 Budget ⁵ | 2023-24 Budget ⁵ |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| SFERS and PERS Retirement Contributions | \$650,011 | \$759,933 | \$823,317 | \$766,968 | \$795,832 | \$677,245 |
| Social Security & Medicare | \$219,176 | \$231,557 | \$229,044 | \$250,776 | \$280,444 | \$292,553 |
| Health - Medical + Dental, active employees ² | \$522,006 | \$555,780 | \$564,453 | \$585,439 | \$610,023 | \$656,039 |
| Health - Retiree Medical ² | \$186,677 | \$196,641 | \$216,916 | \$225,025 | \$231,213 | \$245,317 |
| Other Benefits ³ | \$26,452 | \$28,493 | \$24,111 | \$23,410 | \$26,547 | \$24,911 |
| Total Benefit Costs | \$1,604,322 | \$1,772,403 | \$1,857,841 | \$1,851,618 | \$1,944,060 | \$1,896,066 |

¹ Figures for fiscal year 2018-19 through fiscal year 2020-21 are actuals. Figures for fiscal year 2021-22 are from the Final Budget, July 30, 2022.

² Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

³ "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.

⁴ Figures for fiscal years 2022-23 and 2023-24 reflect the Final Budget, July 30, 2022.

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

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the “Treasurer”) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County’s Pooled Investment Fund (the “Pool”). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer’s Investment Policy, dated May 2021, is included as an Appendix to this Official Statement.

Investment Portfolio

As of September 30, 2022, 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.

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TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of September 30, 2022

| <u>Type of Investment</u> | <u>Par Value</u> | <u>Book Value</u> | <u>Market Value</u> |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| U.S. Treasuries | \$4,225,000,000 | \$4,230,838,104 | \$3,916,980,670 |
| Federal Agencies | 5,130,594,000 | 5,132,681,696 | 4,855,106,126 |
| Public Time Deposits | 30,000,000 | 30,000,000 | 30,000,000 |
| Negotiable Certificates of Deposit | 1,910,000,000 | 1,910,000,000 | 1,898,766,520 |
| Commercial Paper | 400,000,000 | 397,026,875 | 399,004,700 |
| Money Market Funds | 1,118,005,369 | 1,118,005,369 | 1,118,005,369 |
| Supranationals | 668,543,000 | 676,146,538 | 640,605,818 |
| Total | \$13,482,142,369 | \$13,494,698,582 | \$12,858,469,203 |

September Earned Income Yield: 1.387%

*Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.*

TABLE A-27

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of September 30, 2022

| <u>Maturity in Months</u> | | | <u>Par Value</u> | <u>Percentage</u> |
|---------------------------|----|----|-------------------------|-------------------|
| 0 | to | 1 | \$1,772,392,369 | 13.15% |
| 1 | to | 2 | 200,000,000 | 1.48% |
| 2 | to | 3 | 330,000,000 | 2.45% |
| 3 | to | 4 | 470,140,000 | 3.49% |
| 4 | to | 5 | 439,900,000 | 3.26% |
| 5 | to | 6 | 275,000,000 | 2.04% |
| 6 | to | 12 | 2,296,466,000 | 17.03% |
| 12 | to | 24 | 2,723,231,000 | 20.20% |
| 24 | to | 36 | 2,347,800,000 | 17.41% |
| 36 | to | 48 | 1,809,675,000 | 13.42% |
| 48 | to | 60 | 817,538,000 | 6.06% |
| | | | \$13,482,142,369 | 100.00% |

Weighted Average Maturity: 594 Days

*Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.*

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC 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 Municipal Transportation Agency, the General Manager of the Public Utilities Commission, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal years 2022-2031 Capital Plan ("Adopted Capital Plan") was approved by the CPC on February 22, 2021 and was adopted by the Board of Supervisors on April 30, 2021. The Adopted Capital Plan contains \$38.0 billion in capital investments over the coming decade for all City departments, including \$4.6 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes \$1.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is \$1 billion lower than the previous capital plan funding

level due to budget impacts in the early years resulting from the COVID-19 pandemic. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites and permanent supportive housing projects; affordable housing; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$1.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Adopted Capital Plan recommends \$18.0 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately \$8.5 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds and general obligation bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's Adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$7.5 billion in capital needs including enhancements are deferred from the plan's horizon.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of October 1, 2022, the City had approximately \$2.6 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.

TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of October 1, 2022^{1 2}

| Fiscal Year | Principal | Interest | Annual Debt Service |
|--------------------------|------------------------|----------------------|------------------------|
| 2022-23 | \$173,545,251 | \$105,917,805 | \$279,463,055 |
| 2023-24 | 175,056,206 | 97,944,159 | 273,000,365 |
| 2024-25 | 177,481,476 | 89,887,165 | 267,368,641 |
| 2025-26 | 165,756,279 | 81,804,053 | 247,560,332 |
| 2026-27 | 172,635,840 | 74,368,550 | 247,004,390 |
| 2027-28 | 179,064,035 | 66,869,778 | 245,933,814 |
| 2028-29 | 181,156,751 | 59,409,377 | 240,566,128 |
| 2029-30 | 179,395,095 | 51,583,497 | 230,978,592 |
| 2030-31 | 144,611,950 | 43,994,155 | 188,606,105 |
| 2031-32 | 149,965,000 | 38,340,356 | 188,305,356 |
| 2032-33 | 118,820,000 | 32,657,286 | 151,477,286 |
| 2033-34 | 101,040,000 | 28,262,795 | 129,302,795 |
| 2034-35 | 95,040,000 | 24,705,347 | 119,745,347 |
| 2035-36 | 80,045,000 | 21,475,808 | 101,520,808 |
| 2036-37 | 69,590,000 | 18,769,081 | 88,359,081 |
| 2037-38 | 60,880,000 | 16,429,118 | 77,309,118 |
| 2038-39 | 42,505,000 | 14,358,049 | 56,863,049 |
| 2039-40 | 42,240,000 | 12,952,057 | 55,192,057 |
| 2040-41 | 36,635,000 | 11,535,894 | 48,170,894 |
| 2041-42 | 37,970,000 | 10,201,011 | 48,171,011 |
| 2042-43 | 39,365,000 | 8,802,762 | 48,167,762 |
| 2043-44 | 40,820,000 | 7,352,149 | 48,172,149 |
| 2044-45 | 42,315,000 | 5,846,885 | 48,161,885 |
| 2045-46 | 38,505,000 | 4,285,480 | 42,790,480 |
| 2046-47 | 5,005,000 | 2,880,246 | 7,885,246 |
| 2047-48 | 5,170,000 | 2,710,945 | 7,880,945 |
| 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 |
| TOTAL⁴ | \$2,625,532,882 | \$949,547,213 | \$3,575,080,096 |

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. On June 2, 2020, the City closed the first series of bonds in the par amount of \$49.7 million, leaving \$375.3 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. On March 30, 2021, the City closed the first series of bonds in the par amount of \$254.6 million, leaving \$345.4 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 par 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, the City closed the first two series of bonds in an aggregate par amount of \$258.5 million, leaving approximately \$229 million authorized and unissued.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (“2004 Resolution”). The 2004 Resolution authorized the issuance of \$800.0 million general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. In November of 2011, the Board of Supervisors adopted and the Mayor approved, Resolution No. 448-11 (“2011 Resolution,” and together with the 2004 Resolution, the “Refunding Resolutions”). The 2011 Resolution authorized the issuance of approximately \$1.5 billion general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. In March of 2020, the Board of Supervisors adopted and the Mayor approved, Resolution No. 097-20 (“2020 Resolution,” and together with the 2004 Resolution and 2011 Resolution, the “Refunding Resolutions”). The 2020 Resolution authorized the issuance of approximately \$1.5 billion general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The refunding bonds outstanding as of October 1, 2022, 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 1, 2022

| Series Name | Date Issued | Principal Amount Issued | Amount Outstanding |
|-------------|----------------|-------------------------|----------------------------|
| 2015-R1 | February 2015 | \$293,910,000 | \$208,800,000 ¹ |
| 2020-R1 | May 2020 | 195,250,000 | 181,945,000 ² |
| 2021-R1 | May 2021 | 91,230,000 | 91,230,000 ³ |
| 2021-R2 | September 2021 | 86,905,000 | 86,905,000 ⁴ |
| 2022-R1 | May 2022 | 327,300,000 | 327,300,000 ⁵ |

¹ Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

² Series 2008-R1 Bonds were refunded by the 2020-R1 Bonds in May 2020.

³ Series 2013A, 2013B, and 2013C Bonds were refunded by the 2021-R1 Bonds in May 2021.

⁴ Series 2011-R1 Bonds, which refunded the 2004-R1 Bonds, were refunded by the 2021-R2 Bonds in September 2021.

⁵ Series 2012D, 2012E, 2014A, 2014C, and 2014D Bonds were refunded by the 2022-R1 Bonds in May 2022.

Table A-30 on the following page lists for each of the City’s voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of October 1, 2022, the City had authorized and unissued general obligation bond authority of approximately \$1.5 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
 General Obligation Bonds
 As of October 1, 2022¹

| 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 | - | 2 |
| | | | 2007A | \$30,315,450 | \$13,912,882 | |
| | | | 2015A | \$24,000,000 | - | |
| Reauthorization to Repurpose for Affordable Housing | 11/8/16 | | 2019A | \$72,420,000 | \$69,665,000 | |
| | | | 2020C | \$102,580,000 | \$95,240,000 | \$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 | \$27,185,000 | |
| | | | 2012B | \$73,355,000 | - | |
| | | | 2016A | \$8,695,000 | \$6,125,000 | - |
| 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 | \$132,565,000 | |
| | | | 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 | \$18,330,000 | - |
| Road Repaving & Street Safety | 11/8/11 | \$248,000,000 | 2012C | \$74,295,000 | - | |
| | | | 2013C | \$129,560,000 | - | |
| | | | 2016E | \$44,145,000 | \$32,090,000 | - |
| Clean & Safe Neighborhood Parks | 11/6/12 | \$195,000,000 | 2013A | \$71,970,000 | - | |
| | | | 2016B | \$43,220,000 | \$19,890,000 | |
| | | | 2018A | \$76,710,000 | \$39,460,000 | |
| | | | 2019B | \$3,100,000 | - | - |
| Earthquake Safety and Emergency Response Bond | 6/3/14 | \$400,000,000 | 2014D | \$100,670,000 | - | |
| | | | 2016D | \$109,595,000 | \$61,840,000 | |
| | | | 2018C | \$189,735,000 | \$122,260,000 | - |
| Transportation and Road Improvement | 11/4/14 | \$500,000,000 | 2015B | \$67,005,000 | \$35,925,000 | |
| | | | 2018B | \$174,445,000 | \$89,740,000 | |
| | | | 2020B | \$135,765,000 | \$106,235,000 | |
| | | | 2021C-1 | \$104,785,000 | \$85,285,000 | |
| | | | 2021C-2 | \$18,000,000 | - | - |
| Affordable Housing Bond | 11/3/15 | \$310,000,000 | 2016F | \$75,130,000 | \$41,280,000 | |
| | | | 2018D | \$142,145,000 | \$90,010,000 | |
| | | | 2019C | \$92,725,000 | \$22,990,000 | - |
| Public Health and Safety Bond | 6/7/16 | \$350,000,000 | 2017A | \$173,120,000 | \$101,945,000 | |
| | | | 2018E | \$49,955,000 | \$32,520,000 | |
| | | | 2020D-1 | \$111,925,000 | \$79,830,000 | |
| | | | 2020D-2 | \$15,000,000 | - | - |
| Embarcadero Seawall Earthquake Safety | 11/6/18 | \$425,000,000 | 2020A | \$49,675,000 | - | \$375,325,000 |
| Affordable Housing Bond | 11/5/19 | \$600,000,000 | 2021A | \$254,585,000 | \$174,410,000 | \$345,415,000 |
| Earthquake Safety and Emergency Response Bond | 3/3/20 | \$628,500,000 | 2021B-1 | \$69,215,000 | \$65,925,000 | |
| | | | 2021B-2 | \$11,500,000 | - | |
| | | | 2021E-1 | \$74,090,000 | \$60,990,000 | |
| | | | 2021E-2 | \$13,000,000 | - | \$460,695,000 |
| Health and Recovery Bond | 11/4/20 | \$487,500,000 | 2021D-1 | \$194,255,000 | \$168,455,000 | |
| | | | 2021D-2 | \$64,250,000 | - | \$228,995,000 |
| SUBTOTAL | | \$5,978,700,000 | | \$4,482,585,450 | \$1,794,102,882 | \$1,496,114,550 |
| General Obligation Refunding Bonds | | | Dated Issued | Bonds Issued | Bonds Outstanding | |
| Series 2015-R1 | | | 2/25/15 | \$293,910,000 | \$187,040,000 | |
| Series 2020-R1 | | | 5/7/20 | \$195,250,000 | \$168,770,000 | |
| Series 2021-R1 | | | 5/6/21 | \$91,230,000 | \$84,035,000 | |
| Series 2021-R2 | | | 9/16/21 | \$86,905,000 | \$64,285,000 | |
| Series 2022-R1 | | | 5/18/22 | \$327,300,000 | \$327,300,000 | |
| SUBTOTAL | | | | \$994,595,000 | \$831,430,000 | |
| TOTALS | | \$5,978,700,000 | | \$5,477,180,450 | \$2,625,532,882 | \$1,496,114,550 |

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 and certificates of participation as of October 1, 2022.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of October 1, 2022¹

| Fiscal Year ² | Principal | Interest ³ | Annual Payment Obligation |
|-----------------------------|------------------------|-----------------------|------------------------------|
| 2022-23 ⁴ | \$53,770,000 | \$62,817,366 | \$116,587,366 |
| 2023-24 | 67,610,000 | 61,108,658 | 128,718,658 |
| 2024-25 | 69,050,000 | 57,686,331 | 126,736,331 |
| 2025-26 | 70,595,000 | 54,244,130 | 124,839,130 |
| 2026-27 | 73,950,000 | 50,637,831 | 124,587,831 |
| 2027-28 | 69,060,000 | 47,055,725 | 116,115,725 |
| 2028-29 | 74,220,000 | 43,633,945 | 117,853,945 |
| 2029-30 | 74,995,000 | 40,161,516 | 115,156,516 |
| 2030-31 | 70,485,000 | 36,975,914 | 107,460,914 |
| 2031-32 | 63,590,000 | 34,282,816 | 97,872,816 |
| 2032-33 | 64,685,000 | 31,871,841 | 96,556,841 |
| 2033-34 | 67,135,000 | 29,260,160 | 96,395,160 |
| 2034-35 | 60,275,000 | 26,761,447 | 87,036,447 |
| 2035-36 | 60,515,000 | 24,174,243 | 84,689,243 |
| 2036-37 | 60,190,000 | 21,538,229 | 81,728,229 |
| 2037-38 | 62,625,000 | 18,910,664 | 81,535,664 |
| 2038-39 | 65,160,000 | 16,175,156 | 81,335,156 |
| 2039-40 | 67,805,000 | 13,324,472 | 81,129,472 |
| 2040-41 | 70,555,000 | 10,357,468 | 80,912,468 |
| 2041-42 | 56,000,000 | 7,430,811 | 63,430,811 |
| 2042-43 | 20,990,000 | 5,247,200 | 26,237,200 |
| 2043-44 | 19,855,000 | 4,388,600 | 24,243,600 |
| 2044-45 | 20,650,000 | 3,594,400 | 24,244,400 |
| 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 |
| TOTAL⁵ | \$1,452,975,000 | \$709,972,722 | \$2,162,947,722 |

¹ Excludes the 833 Bryant lease, commercial paper and the following privately placed lease purchase financings (with current outstanding amounts):

SFGH Emergency Backup Generators Project (\$7,344,831)

Gsmart Citywide Emergency Radio Replacement Project (\$16,088,844)

² For the 2020-R1 Series, the amount outstanding as of 10/1/22 reflects payment of the 10/1/22 principal payment, as the Base Rental payment was due by 9/25/22.

³ Totals reflect rounding to nearest dollar.

⁴ Excludes payments made to date in current fiscal year.

⁵ For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 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 par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. 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, 2022, the total authorized and unissued amount for such financings was \$95.3 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 and voter-authorized lease revenue bonds.

TABLE A-32*

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds¹
As of October 1, 2022

| Issue Name | Final Maturity | Original Par | Outstanding Principal |
|---|-------------------|------------------------|--------------------------|
| CERTIFICATES OF PARTICIPATION | | | |
| Series 2009C (525 Golden Gate Avenue) | 2022 | \$38,120,000 | \$4,375,000 |
| Series 2009D - Taxable BABs (525 Golden Gate Avenue) | 2041 | 129,550,000 | 129,550,000 |
| Refunding Series 2011A (Moscone Center South) | 2024 | 23,105,000 | 4,540,000 |
| Series 2012A (Multiple Capital Improvement Projects) | 2036 | 42,835,000 | 29,465,000 |
| Series 2013B - Non-AMT (Port Facilities Project) | 2038 | 4,830,000 | 4,830,000 |
| Series 2013C - AMT (Port Facilities Project) | 2043 | 32,870,000 | 21,345,000 |
| Refunding Series 2014-R2 (Juevenile Hall Project) | 2034 | 33,605,000 | 23,015,000 |
| Series 2015A (War Memorial Veterans Building) | 2045 | 112,100,000 | 112,100,000 |
| Series 2015B - Taxable (War Memorial Veterans Building) | 2024 | 22,225,000 | 2,350,000 |
| Refunding Series 2015-R1 (City Office Buildings - Multiple Properties) | 2040 | 123,600,000 | 101,725,000 |
| Series 2016A (War Memorial Veterans Building) | 2032 | 16,125,000 | 10,700,000 |
| Series 2017A - Taxable (Hope SF) | 2047 | 28,320,000 | 25,235,000 |
| Series 2017B (Moscone Convention Center Expansion Project) | 2042 | 412,355,000 | 370,090,000 |
| Series 2019A (49 South Van Ness Project) | 2050 | 247,810,000 | 243,485,000 |
| Refunding Series 2019-R1 (Multiple Capital Improvement Projects) | 2035 | 116,460,000 | 92,615,000 |
| Refunding Series 2020-R1 (Multiple Capital Improvement Projects) | 2033 | 70,640,000 | 62,785,000 ² |
| Series 2020 (Animal Care & Control Project) | 2041 | 47,075,000 | 45,570,000 |
| Series 2021A (Multiple Capital Improvement Projects) | 2041 | 76,020,000 | 76,020,000 |
| SUBTOTAL CERTIFICATES OF PARTICIPATION | | \$1,577,645,000 | \$1,359,795,000 |
| LEASE PURCHASE FINANCINGS | | | |
| 2010 Lease Purchase Financing (SFGH Emergency Backup Generators) | 2025 | \$22,549,489 | \$7,344,831 |
| 2016 Lease Purchase Financing (Public Safety Radio Replacement Project) | 2026 | 34,184,136 | 16,088,844 |
| SUBTOTAL LEASE PURCHASE FINANCINGS | | \$56,733,625 | \$23,433,674 |
| FINANCE CORPORATION LEASE REVENUE BONDS | | | |
| Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable | 2030 | \$72,670,000 | \$29,100,000 |
| Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable | 2030 | 72,670,000 | 29,100,000 |
| Refunding Series 2010-R1 (Emergency Communications System) | 2024 | 22,280,000 | 3,395,000 |
| Refunding Series 2018A (Open Space Fund - Various Park Projects) | 2029 | 34,950,000 | 22,920,000 |
| Refunding Series 2018B (Branch Library Improvement Program) | 2028 | 13,355,000 | 8,665,000 |
| SUBTOTAL LEASE REVENUE BONDS | | \$215,925,000 | \$93,180,000 |
| TOTAL GENERAL FUND OBLIGATIONS | | \$1,850,303,625 | \$1,476,408,674 |

¹ Excludes California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) (\$26,985,000)

² For the 2020-R1 Series, the amount outstanding as of 10/1/22 reflects payment of the 10/1/22 principal payment, as the Base Rental payment was due by 9/25/22.

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates, but commercial paper is anticipated to be issued to finance the projects in fiscal year 2023-24.

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) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City currently issues commercial paper to finance these projects and pays down their commercial paper balance annually rather than issuing certificates at this time.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$62.0 million of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) 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. The City expects to issue the remainder of the long-term COPs in fiscal year 2023-24.

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 to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnysdale, and Potrero Terrace and Annex housing developments. As of October 1, 2022, \$28.3M has been issued (Series 2017A) and \$55.3 million remains unissued from the authorization. The City anticipates issuing the remaining long-term COPs from this authorization in fiscal year 2023-24.

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 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 certificates in fiscal year 2023-24.

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, 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 anticipates issuing the certificates in fiscal year 2023-24.

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, 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 anticipates issuing the long-term certificates in fiscal year 2023-24.

Affordable Housing and Community Development Projects: In July 2022 the Board authorized and in August 2022 the Mayor approved the appropriation of not to exceed \$112.0 million of Certificate of Participation proceeds to the Mayor's Office of Housing and Community Development for a notice of funding availability (NOFA) to finance land acquisition with priority for development of 100% affordable projects in California Debt Limit Allocation Committee (CDLAC) designated high/resources areas and/or high need areas, repairs for Public Housing or Federal Housing and Urban Development (HUD) co-ops, affordable housing for educators, elevators in the City's Single Room Occupancy (SRO) portfolio, and acquisition for non-profit sites. An additional \$34.8 million of Certificate of Participation proceeds were appropriated for financing costs. The associated legislation authorizing the issuance of these Certificates of Participation has not yet gone to the Board.

Commercial Paper Program

In March 2009, the Board authorized and the Mayor approved a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). In July of 2013, the Board authorized, and the Mayor approved an additional \$100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to \$250.0 million. Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project.

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by credit facilities from: (i) State Street Bank and Trust Company (with a maximum principal amount of \$75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of \$75 million). These credit facilities expire in May 2023. 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 20, 2022, the outstanding principal amount of CP Notes is \$33.7 million. The interest rate for the \$12.6 million outstanding tax-exempt CP Notes is 2.70%. The interest rate for the \$21.1 million outstanding tax-exempt CP Notes is 4.25%. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program includes the Housing Trust Fund, 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 expected to be paid down over 5-years beginning FY2022-23. The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

| Project | CP Notes Liability as of 10/20/2022 |
|--------------------------------------|--|
| Housing Trust Fund | \$17,965,985 |
| HOPE SF | \$3,179,015 |
| DPH Facilities Improvements | \$8,551,011 |
| Critical Repairs & Recovery Stimulus | \$1,541,394 |
| Police Vehicle Acquisition | \$2,416,878 |
| HOJ Relocation – Tenant Improvements | \$40,717 |
| TOTAL | \$33,695,000 |

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of October 1, 2022 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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TABLE A-33

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of October 1, 2022

| | |
|---|-------------------------------------|
| <u>2022-23 Assessed Valuation</u> (includes unitary utility valuation): | \$329,109,287,967 ¹ |
| <u>GENERAL OBLIGATION BONDED DEBT</u> | |
| San Francisco City and County | \$2,625,532,882 |
| San Francisco Unified School District | 1,118,600,000 |
| San Francisco Community College District | 436,085,000 |
| TOTAL GENERAL OBLIGATION BONDED DEBT | \$4,180,217,882 |
| <u>LEASE OBLIGATIONS BONDS</u> | |
| San Francisco City and County | \$1,469,063,846 |
| TOTAL LEASE OBLIGATION BONDED DEBT | \$1,469,063,846 ² |
| TOTAL COMBINED DIRECT DEBT | \$5,649,281,728 |
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT</u> | |
| Bay Area Rapid Transit District General Obligation Bond (34.740%) | \$848,855,342 |
| San Francisco Community Facilities District No. 4 | 4,420,000 |
| San Francisco Community Facilities District No. 6 | 111,562,516 |
| San Francisco Community Facilities District No. 7 | 30,155,000 |
| San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2 | 2,337,095 |
| San Francisco Community Facilities District No. 2014-1 Transbay Transit Center | 497,545,000 |
| San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2 | 83,295,000 |
| San Francisco Special Tax District No. 2020-1 Mission Rock Facilities | 106,230,000 |
| City of San Francisco Assessment District No. 95-1 | 260,000 |
| ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements | 8,530,000 |
| ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill | 4,655,000 |
| ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza | 2,685,000 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | \$1,700,529,953 |
| <u>OVERLAPPING TAX INCREMENT DEBT:</u> | |
| Successor Agency to the San Francisco Redevelopment Agency | \$629,826,904 |
| Transbay Joint Powers Authority | 259,590,000 |
| TOTAL OVERLAPPING INCREMENT DEBT | \$889,416,904 |
| <u>OVERLAPPING TAX INCREMENT REVENUE DEBT:</u> | |
| San Francisco Infrastructure and Revitalization Financing District No. 1 | \$29,390,000 |
| TOTAL OVERLAPPING INCREMENT DEBT | \$29,390,000 |
| TOTAL DIRECT AND OVERLAPPING BONDED DEBT | \$8,268,618,585 ³ |
| <u>Ratios to 2022-23 Assessed Valuation (\$329,109,287,967)</u> | <u>Actual Ratio</u> |
| Direct General Obligation Bonded Debt (\$4,180,217,882) | 1.27% ⁴ |
| Combined Direct Debt (\$5,649,281,728) | 1.72% |
| Total Direct and Overlapping Bonded Debt | 2.51% |
| <u>Ratio to 2022-23 Redevelopment Incremental Valuation (\$42,244,048,147)</u> | |
| Total Overlapping Tax Increment Debt | 2.11% |

¹ Includes \$578,793,600 homeowner's exemption for FY22-23.

² Excludes 833 Bryant lease and privately placed SFGH Emergency Backup Generators Project, outstanding in the principal amount of \$7,344,831 as of 10/1/22.

³ Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds, as well as 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 FY22-23 AV is 0.8%.

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 XIII A of the California Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII.

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness, and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement

purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years. If the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily 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 “San Francisco Redevelopment Agency Dissolution” above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State’s ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 (“Proposition 26”), revising certain provisions of Article XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not “imposed by a local government” are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statute governing the issue), and that local ordinances were without effect. The effect of the *McWilliams* case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

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. 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. On January 28, 2020 the City's former Director of Public Works Mohammad Nuru was indicted on federal criminal charges of public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation officials. The allegations contained in the complaint involve various schemes, including an attempt by Mr. Nuru and Mr. Nick Bovis, a local restaurateur who was also indicted by the federal government, to bribe an Airport Commissioner to influence the award of lease of space at the San Francisco International Airport, Mr. Nuru using his official position to benefit a developer of a mixed-use project in San Francisco in exchange for personal gifts and benefits; Mr. Nuru attempting to use his former position as the chair of the Transbay Joint Powers Authority to secure a lease for Mr. Bovis in the Salesforce Transit Center, in exchange for personal benefits provided by the restaurateur; Mr. Nuru providing Mr. Bovis with inside information on City projects regarding contracts for portable bathroom trailers and small container-like housing units for use by the homeless, so that Mr. Bovis could win the contracts for those projects; and Mr. Nuru obtaining free and discounted labor and construction

equipment from contractors to help him build a personal vacation home while those contractors were also engaging in business with the City. Mr. Nuru resigned from employment with the City two weeks after his arrest.

On May 20, 2021 Mr. Bovis pled guilty to honest services wire fraud and wire fraud. On December 17, 2021 Mr. Nuru also pled guilty to honest services wire fraud. In August 2022, Mr. Nuru was sentenced to 7 years in prison.

As a result of the announcement of the Nuru and Bovis arrests, the City Attorney and Controller commenced a joint investigation seeking to identify officials, employees and contractors involved in these schemes or other related conduct, and to identify contracts, grants, gifts, and other government decisions possibly tainted by conflicts of interest and other legal or policy violations. The Controller's Office, in conjunction with the City Attorney's Office, has put into place interim controls to review Public Works contracts for red flags and process failures. The Controller's Office is also working with the City Attorney's Office to identify whether stop payments, cancellations or other terminations are justified on any open contracts, purchase orders or bids. Also, the Controller, in coordination with the City Attorney's Office, has made periodic public reports setting forth assessments of patterns and practices to help prevent fraud and corruption and recommendations about best practices, including possible changes in City law and policy.

On March 10, 2020, the City Attorney transmitted to the Mayor its preliminary report of investigations of alleged misconduct by the City's Director of the Department of Building Inspections ("DBI"). The allegations involve violations of the City Campaign and Conduct Code and DBI's Code of Professional Conduct by the Director by (i) providing intentional and preferential treatment to certain permit expeditors, (ii) accepting gifts and dinners in violation of DBI's professional code of conduct, and (iii) otherwise violating City laws and policies by abusing his position to seek positions for his son and son's girlfriend. The Mayor placed the Director of Building Inspection on administrative leave, and he resigned shortly thereafter.

On June 29, 2020, the Controller released its preliminary assessment of Citywide procurement practices, with an emphasis on the Public Works Department. The report is subject to public comment and review and could be revised in the future. The preliminary assessment focused on City laws, practices and policies and made recommendations to make improvements on such City laws and policies to improve transparency, reduce the risk of loss and abuse in City contracting in the future. The Controller expects to issue additional reports in the future. Reviews of the City internal controls will be released in a subsequent report. Finally, the City Attorney investigation continues with respect to the review certain contracts and payments made to outside vendors. To date, the City Attorney's investigation has led to the release of at least four city employees (including the Director of Public Works and the Director of Building Inspections, as described above) or officials from their City positions.

On September 24, 2020 the Controller issued an additional report noting that Mr. Nuru also solicited donations from private sources and directed those donations to a non-profit supporting the Department of Public Works. Such arrangements, which were neither accepted or disclosed by the City, created a perceived risk of "pay-to-play" relationships. The report made recommendations to the Board of Supervisions that, among other things, would restrict the ability of department heads from soliciting donations from interested parties in the future and would increase transparency surrounding gifts made to benefit City departments.

On November 30, 2020, Harlan L. Kelly, Jr., the General Manager of the San Francisco Public Utilities Commission (“PUC”), was charged in a federal criminal complaint with one count of honest services wire fraud. The complaint alleges that Mr. Kelly engaged in a long-running bribery scheme and corrupt partnership with Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. The complaint further alleges 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. Earlier criminal charges filed against Walter Wong alleged that Mr. Wong conspired with multiple City officials, including Mr. Nuru, in a conspiracy and money laundering scheme. Mr. Wong pled guilty in July of this year and is cooperating with the ongoing federal investigation.

Mr. Kelly resigned on December 1, 2020, and the PUC’s Commission acted on his resignation on December 8, 2020. Dennis J. Herrera (the current City Attorney) was nominated by the Mayor to be the General Manager of the PUC and his nomination was confirmed by the PUC on September 28, 2021. Mr. Herrera assumed office as General Manager of PUC on November 1, 2021.

On July 8, 2021 the San Francisco District Attorney announced the arrest of former Department of Public Works bureau manager Gerald “Jerry” Sanguinetti. Mr. Sanguinetti was charged with five felony counts of perjury and two misdemeanor charges arising from his alleged failure to report more than a quarter million dollars of income and file financial disclosure statements associated with the sale to the Public Works Department of merchandise by a company owned by his wife. The charges arise out of the continuing investigation into public corruption involving the Public Works Department. The Public Works Department investigation is ongoing.

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 initiated 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 full Board of Supervisors is considering retaining additional independent services relating to the matters that were the subject of the federal indictment. 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.

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, the PUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement. 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 Annual Comprehensive Financial Report. 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.

NOTICE OF INTENTION TO SELL
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

\$ _____^{*}
TAX-EXEMPT
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-1

\$ _____^{*}
TAX-EXEMPT
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B-1

\$ _____^{*}
TAX-EXEMPT
GENERAL OBLIGATION BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING, 2019),
SERIES 2023C-1

\$ _____^{*}
TAXABLE
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-2

\$ _____^{*}
TAXABLE
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B -2

\$ _____^{*}
TAXABLE
GENERAL OBLIGATION BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING, 2019),
SERIES 2023C-2

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the “*City*”) intends to offer the above-captioned general obligation bonds (the “*Bonds*”) for public sale on or around:

_____, _____^{*}

at ___ a.m.*
(California time)
[Series 2023___
Bonds]

at ___ a.m.*
(California time)
[Series 2023___ Bonds and
Series 2023___ Bonds]

at ___ a.m.*
(California time)
[Series 2023___
Bonds, Series 2023___
Bonds and Series
2023___ Bonds]

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

by electronic bids only

through Ipreo LLC’s BiDCOMP™/PARITY® System (“*Parity*”).

The City reserves the right to postpone or cancel the sale of the Bonds or any series thereof 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 any series of the Bonds, the City may reschedule the sale of such series of the Bonds to another date or time by providing notification through

* Preliminary, subject to change.

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 _____ (the "*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 _____ (the "*Preliminary Official Statement*"), and the Official Notice of Sale, are expected to be available electronically at Elabra www.elabra.com on or around _____, and may also be obtained electronically from the City's Municipal Advisor: Fieldman, Rolapp & Associates, Inc., 19900 MacArthur Blvd., Suite 1100, Irvine, California, telephone 949-660-7308, attention: Anna Sarabian (email: asarabian@fieldman.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: __ __, __ __

OFFICIAL NOTICE OF SALE
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

consisting of

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-1

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B-1

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019),
SERIES 2023C-1

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-2

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B -2

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019),
SERIES 2023C-2

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

TIME: _____ a.m.,* California time for the Series _____ Bonds
_____ a.m.,* California time for the Series _____ Bonds and
Series _____ Bonds
_____ a.m.,* California time for the Series _____ Bonds,
Series _____ Bonds and Series _____ Bonds

PLACE: [Ipreo LLC's BiDCOMP™/PARITY® System at
www.newissuehome.i-deal.com]

DELIVERY DATE: [Closing Date]*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-1

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B-1

\$ _____*
TAX-EXEMPT
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019),
SERIES 2023C-1

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020),
SERIES 2023A-2

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018),
SERIES 2023B -2

\$ _____*
TAXABLE
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019),
SERIES 2023C-2

NOTICE IS HEREBY GIVEN that electronic bids will be received in the manner described herein through the [Ipreo LLC’s BiDCOMP™/PARITY® System (“Parity”) at www.newissuehome.i-deal.com] for the purchase of all, but not less than all, of the above-captioned General Obligation Bonds (collectively the “Bonds” and individually each series thereof, the “Series”) 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 of each Series are described in the City’s Preliminary Official Statement for the Bonds dated _____* (the “Preliminary Official Statement”).

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

Bids for the Series _____ Bonds and Series _____ Bonds must be received electronically by _____ a.m., California time, on [Sale Date] (subject to postponement or cancellation in accordance with this Official Notice of Sale). **Bids must be for the purchase of both the Series _____ Bonds and Series _____ Bonds.**

Bids for the Series _____ Bonds, the Series _____ Bonds and the Series _____ Bonds must be received electronically by _____ a.m., California time, on [Sale Date] (subject to postponement or cancellation in accordance

* Preliminary, subject to change.

with this Official Notice of Sale). *Bids must be for the purchase of all of the Series Bonds, Series Bonds and Series Bonds (collectively, the “Taxable Bonds”).*

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 FOR THE BONDS OR ANY SERIES THEREOF ON [SALE DATE], 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:

Fieldman, Rolapp & Associates, Inc.
1990 MacArthur Blvd., Suite 1100
Irvine, California,
Telephone: 949-660-7308
Attention: Anna Sarabian (email: asarabian@fieldman.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 amounts of any serial maturity or mandatory sinking fund payment for any Series of 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 (as described in “TERMS OF SALE - Form of Bids; Delivery of Bids” below). In the event the summary of the terms of sale of the Bonds posted on Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

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

Issue. Each Series of 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 such Series of the Bonds (each, a “**Purchaser**”). The Bonds will be dated the date of delivery, which is expected to be [Closing Date]*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

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

Interest Rates. Interest on the Bonds will be payable on June 15, 2023, and semiannually thereafter on December 15 and June 15 of each year (each an “**Interest Payment Date**”), [except that interest on the Taxable Bonds maturing on _____, will be paid on _____.] 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:

* Preliminary; subject to change.

- (i) each interest rate specified in any bid for the Tax-Exempt Bonds (defined herein) must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;
- (ii) each interest rate specified in any bid for the Taxable Bonds must be a multiple of one-thousandth of one percent (1/1000th of 1%) 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;
- (vi) Series 2023A-1 Bonds:
 - (1) the minimum interest rate bid for any maturity shall not be less than ___% per annum;
 - (2) the maximum interest rate bid for any maturity shall not exceed ___% per annum;
 - (3) the purchase price shall not be less than 100.00%;
- (vii) Series 2023A-2 Bonds:
 - (1) the gross production for the Series 2023A-2 Bonds shall be greater than or equal to their par amount;
- (viii) Series 2023B-1 Bonds:
 - (1) the minimum interest rate bid for any maturity shall not be less than ___% per annum;
 - (2) the maximum interest rate bid for any maturity shall not exceed ___% per annum;
 - (3) the purchase price shall not be less than 100.00%;
- (ix) Series 2023B-2 Bonds:
 - (1) the gross production for the Series 2023B-2 Bonds shall be greater than or equal to their par amount;
- (x) Series 2023C-1 Bonds:
 - (1) the minimum interest rate bid for any maturity shall not be less than ___% per annum;

- (2) the maximum interest rate bid for any maturity shall not exceed _% per annum;
 - (3) the purchase price shall not be less than 100.00%; and
- (xi) Series 2023C-2 Bonds:
- (1) the gross production for the Series 2023C-2 Bonds shall be greater than or equal to their par amount.]

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

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Principal Payments of the Series 2023A-1 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2023A-1 Bonds in each year is as follows:

Series 2023A-1 Bonds

| Maturity Date (June 15) | <u>Principal Amount*</u> |
|--|---------------------------------|
| 2023 | |
| 2024 | |
| 2025 | |
| 2026 | |
| 2027 | |
| 2028 | |
| 2029 | |
| 2030 | |
| 2031 | |
| 2032 | |
| 2033 | |
| 2034 | |
| 2035 | |
| 2036 | |
| 2037 | |
| 2038 | |
| 2039 | |
| 2040 | |
| 2041 | |
| 2042 | |
| 2043 | |
| 2044 | |
| 2045 | |
| 2046 | |
| 2047 | |
| TOTAL | <hr/> |

* Preliminary; subject to change.

Principal Payments of the Series 2023A-2 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity for the Series 2023A-2 Bonds is as follows:

Series 2023A-2 Bonds

| Maturity Date | Principal Amount* |
|--------------------------|--------------------------|
| (_____ 15) 20__ | |

[Remainder of Page Intentionally Left Blank]

* Preliminary; subject to change.

Principal Payments of the Series 2023B-1 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2023B-1 Bonds in each year is as follows:

Series 2023B-1 Bonds

| Maturity Date (June 15) | <u>Principal Amount*</u> |
|--|---------------------------------|
| 2023 | |
| 2024 | |
| 2025 | |
| 2026 | |
| 2027 | |
| 2028 | |
| 2029 | |
| 2030 | |
| 2031 | |
| 2032 | |
| 2033 | |
| 2034 | |
| 2035 | |
| 2036 | |
| 2037 | |
| 2038 | |
| 2039 | |
| 2040 | |
| 2041 | |
| 2042 | |
| 2043 | |
| 2044 | |
| 2045 | |
| 2046 | |
| 2047 | |
| TOTAL | <hr/> |

* Preliminary; subject to change.

Principal Payments of the Series 2023B-2 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2023B-2 Bonds in each year is as follows:

Series 2023B-2 Bonds

| Maturity Date | <u>Principal Amount*</u> |
|--------------------------|---------------------------------|
|--------------------------|---------------------------------|

TOTAL

[Remainder of Page Intentionally Left Blank]

* Preliminary; subject to change.

Principal Payments of the Series 2023C-1 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity or mandatory sinking fund payment for the Series 2023C-1 Bonds in each year is as follows:

Series 2023C-1 Bonds

| Maturity Date (June 15) | Principal Amount* |
|--|--------------------------|
| 2023 | |
| 2024 | |
| 2025 | |
| 2026 | |
| 2027 | |
| 2028 | |
| 2029 | |
| 2030 | |
| 2031 | |
| 2032 | |
| 2033 | |
| 2034 | |
| 2035 | |
| 2036 | |
| 2037 | |
| 2038 | |
| 2039 | |
| 2040 | |
| 2041 | |
| 2042 | |
| 2043 | |
| 2044 | |
| 2045 | |
| 2046 | |
| 2047 | |
| TOTAL | |

* Preliminary; subject to change.

Principal Payments of the Series 2023C-2 Bonds. Subject to the City’s right to modify or amend this Official Notice of Sale (see “TERMS OF SALE - Right to Modify or Amend”), and to adjustment as provided in this Official Notice of Sale (see “—Adjustment of Principal Payments”), the principal amount of the serial maturity for the Series 2023C-2 Bonds is as follows:

Series 2023C-2 Bonds

| Maturity Date | Principal Amount* |
|--------------------------|--------------------------|
| () | \$ |

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above for a Series of the Bonds after the determination of the winning bidder therefor, by adjusting one or more of the principal payments of such Series of Bonds, in increments of \$5,000 or to eliminate maturities in their entirety, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to a Series of Bonds shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for such Series of Bonds. Any such adjustment will not change the average per Bond dollar amount of the applicable 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 any Series of 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 A SERIES OF BONDS BY THE CITY WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS ISSUE PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

* Preliminary; subject to change.

Redemption.

(i) Optional Redemption of the Series 2023A-1 Bonds. The Series 2023A-1 Bonds maturing on or after June 15, ____, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, ____, at a redemption price equal to the principal amount of the Series 2023A-1 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption of the Series 2023A-1 Bonds, refer to the definitions under “THE BONDS – Redemption - *Optional Redemption of the 2023A-1 Bonds*” in the Preliminary Official Statement.

(ii) Mandatory Redemption of the Series 2023A-1 Bonds. The Series 2023A-1 Bonds shall be issued as serial maturities, as shown in the table under “-Principal Payments of the Series 2023A-1 Bonds,” above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2023A-1 Bonds set forth in the maturity schedule under “-Principal Payments of the Series 2023A-1 Bonds” above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2023A-1 Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to “-Adjustment of Principal Payments” above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2023A-1 term Bonds are designated, all Series 2023A-1 term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – “THE BONDS - Redemption - *Mandatory Redemption of the 2023A-1 Bonds.*”

(iii) Optional Redemption of the Series 2023B-1 Bonds. The Series 2023B-1 Bonds maturing on or after June 15, ____, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, ____, at a redemption price equal to the principal amount of the Series 2023B-1 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption of the Series 2023B-1 Bonds, refer to the definitions under “THE BONDS – Redemption - *Optional Redemption of the 2023B-1 Bonds*” in the Preliminary Official Statement.

(iv) Mandatory Redemption of the Series 2023B-1 Bonds. The Series 2023B-1 Bonds shall be issued as serial maturities, as shown in the table under “-Principal Payments of the Series B-1 Bonds,” above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2023B-1 Bonds set forth in the maturity schedule under “-Principal

Payments of the Series 2023B-1 Bonds” above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2023B-1 Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to “-Adjustment of Principal Payments” above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2023B-1 term Bonds are designated, all Series 2023B-1 term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – “THE BONDS - Redemption - *Mandatory Redemption of the 2023B-1 Bonds.*”

(v) Optional Redemption of the Series 2023C-1 Bonds. The Series 2023C-1 Bonds maturing on or after June 15, ____, will be subject to redemption prior to their stated maturity dates, as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, ____, at a redemption price equal to the principal amount of the Series 2023C-1 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

For additional information related to optional redemption of the Series 2023C-1 Bonds, refer to the definitions under “THE BONDS – Redemption - *Optional Redemption of the 2023C-1 Bonds*” in the Preliminary Official Statement.

(vi) Mandatory Redemption of the Series 2023C-1 Bonds. The Series 2023C-1 Bonds shall be issued as serial maturities, as shown in the table under “-Principal Payments of the Series 2023C-1 Bonds,” above, unless the bidder requests the creation of one or more term bonds by combining any two (2) or more consecutive serial maturities. Bidders may designate the principal amounts of the Series 2023C-1 Bonds set forth in the maturity schedule under “-Principal Payments of the Series 2023C-1 Bonds” above, for any two (2) or more consecutive years as a single term bond which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity within a series may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Series 2023C-1 Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part, by lot on June 15, in the principal amounts which would otherwise have matured in such designated years, as adjusted pursuant to “-Adjustment of Principal Payments” above, plus accrued interest thereon to the date fixed for redemption, without premium. In the event Series 2023C-1 term Bonds are designated, all Series 2023C-1 term Bond maturities and corresponding mandatory sinking fund redemptions shall be subject to the same optional redemption provisions. See the Preliminary Official Statement – “THE BONDS - Redemption - *Mandatory Redemption of the 2023C-1 Bonds.*”

[(vii) Make-Whole Optional Redemption of the Series 2023[]-2 Bonds. The Series 2023[]-2 Bonds maturing on or after June 15, 20__ will be subject to redemption either in whole or in part, at the option of the City, at any time, at a redemption price equal to the greater of (i)

100% of the principal amount thereof or (ii) the Discounted Value thereof, plus in either case, accrued interest thereon to the date of redemption. The Series 2023[]-2 Bonds may be redeemed in any order of maturity and in any principal amount within a maturity as selected by the City in its sole discretion. All calculations and determinations referred to under this caption “Make-Whole Optional Redemption of the Series 2023[]-2 Bonds,” except as provided in the preceding sentence, are expected (but not required) to be made by a financial advisor or other agent selected by the City for such purposes (the “**Calculation Agent**”).

“**Discounted Value**” means, with respect to each outstanding maturity of the Series 2023[]-2 Bonds to be redeemed, the sum as determined by the City or the Calculation Agent of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such maturity from their respective scheduled payment dates to the applicable redemption date, at a yield (computed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“**Discount Yield**” means, the Blended Treasury Yield determined by the City or the Calculation Agent with respect to the Series 2023[]-2 Bonds maturity to be redeemed, plus _____ basis points. The Discount Yield will be calculated assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months.

“**Blended Treasury Yield**” means, with respect to the Series 2023[]-2 Bonds of a particular maturity, the yield computed by the City or the Calculation Agent as the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury Yield equals the date that corresponds to the remaining average life of the Bonds maturity to be redeemed from the redemption date. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no later than the date corresponding to the remaining average life of the Series 2023[]-2 Bonds maturity to be redeemed; the second Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2023[]-2 Bonds maturity to be redeemed.

“**Market Treasury Yield**” means that yield, as determined by the City or the Calculation Agent, assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to:

(i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as “Page PX1” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of any actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m., New York City time, on the Valuation Date received from no less than five primary dealers in U.S. Government securities selected by the City.

“**Valuation Date**” means no less than the third Business Day or more than the twentieth Business Day preceding the redemption date.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) of the definition of Market Treasury Yield above will be determined using the average of the bid and ask prices for that security. See the Preliminary Official Statement – “THE BONDS - Redemption - *Make-Whole Optional Redemption of the 2023[] Bonds.*”]

[(vii) No Redemption of the Taxable Bonds. The Taxable Bonds are not subject to redemption prior to maturity.]

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Norton Rose Fulbright US LLP and Alexis S. M. Chiu, Esq., Co-Bond Counsel to the City (“**Co-Bond Counsel**”), will deliver their separate legal opinions as to the validity, enforceability and tax status of each Series 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 each Series of Bonds shall be for par or more; no net discount bids for any Series of Bonds will be accepted. No bid submitted at a price less than the aggregate par value of a Series of Bonds will be considered. Individual maturities of any Series of Bonds may be reoffered at par, a premium or a discount.]

Form of Bids; Delivery of Bids. Each bid for a Series of Bonds must be: (1) for not less than all of a Series of 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 a Series of 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 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 or nonconforming with this Official Notice of Sale or has not been received.

Bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact the Municipal Advisor at the number provided above or Parity at (212) 404-8107 or at the Parity website: <https://www.newissuehome.i-deal.com>.

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, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

When a bidder submits an electronic bid for a Series of 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 a Series of 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 each Series of Bonds or rejecting all bids for a Series of 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 each Series of 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, fax or email to the City (in c/o its Municipal Advisor and to the City’s Controller’s Office, Director of Public Finance at the fax and/or email addresses provided for such purpose) a signed copy of their bid;

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

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

(5) The City will fax or email to the Apparent Winning Bidder its written final award (a “**Certificate of Award**”).

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series of 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, each Series of 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 such Series of Bonds to the dated date of such Series of Bonds, results in an amount equal to the principal amount of the Bonds plus the amount of any net premium. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term bond of a Series of 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 a Series of Bonds at the same true interest cost, the City will determine by lot which bidder will be awarded such Series of 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 a Series of 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, each Apparent Winning Bidder must provide to the City a good faith deposit in the amount of: [(i) \$ _____ for the Series 2023 ____

Bonds; (ii) \$ _____ for the Series 2023 ___ Bonds; (iii) \$ _____ for the Series 2023 ___ Bonds; and (iv) \$ _____ for the _____ Bonds] (each, a “**Good Faith Deposit**”).

Upon the determination by the City of the Apparent Winning Bidder of a Series of the Bonds, the Municipal Advisor will (i) provide to the Apparent Winning Bidder of such Series 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 of such Series of the Bonds must wire the applicable 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 such Series of 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 of each Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Series of Bonds purchased by such Purchaser at the time of delivery thereof.

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

Reoffering Prices, Establishment of Issue Price and Issue Price Certificate (Hold-the-Offering-Price Rule Will Apply if Competitive Sale Requirements Are Not Satisfied).

(a) The Purchaser(s) for each of the Series 2023A-1 Bonds, Series 2023B-1 Bonds and Series 2023C-1 Bonds (collectively the “**Tax-Exempt Bonds**”) shall assist the City in establishing the issue price of such Series and shall execute and deliver to the City at Closing an “issue price” or similar certificate for such Series setting forth the reasonably expected initial offering price to the public of each of such Series, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Purchaser(s), the City and Co-Bond Counsel.

(b) The City intends that Sections 1.148-1(f)(2)(iii) and 1.148-1(f)(3)(i) (providing a special rule establishing the issue price of the competitively sold bonds and defining the term “competitive sale”) will apply to the initial sale of each Series of Tax-Exempt Bonds (the “**competitive sale requirements**”) because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid on one or more Series;
- (3) the City may receive bids for each of the Series from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of each Series to the bidder that submits a firm offer to purchase the particular Series at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) If the competitive sale requirements are not satisfied with respect to a Series, the City shall so advise the winning bidder. In such event, the City intends to treat the first price at which 10% of a maturity of the Series (the “**10% test**”) is sold to the public as the issue price of that maturity if such maturity of the Series satisfies the 10% test as of the date and time of the award of the Series. With respect to those maturities of the Series that do not meet the 10% test as of the date and time of the award of the Series, the City intends to treat the initial offering price to the public as of the sale date of each maturity of such Series as the issue price of that maturity (the “**hold-the-offering-price rule**”). Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied with respect to a Series, and the hold-the-offering-price rule will thus apply to any maturity of such Series as to which less than 10% of the maturity was sold by the winning bidder to the public at a single price. Bidders should prepare their bids on the assumption that some or all maturities of each Series will be subject to the hold-the-offering-price rule in order to establish the issue prices of that Series. The winning bidder shall advise the City if any maturity of a Series awarded to such bidder satisfies the 10% test as of the date and time of the award of such Series.

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

- (1) the close of the fifth (5th) business day after the sale date; or

- (2) the date on which the underwriters have sold at least 10% of that maturity to the public at a price that is no higher than the initial offering price to the public.

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

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

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

(g) Sales of the Tax-Exempt Bonds of any Series to any person that is a related party to an underwriter of any Series shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

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

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

Right to Modify or Amend. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the City’s right to adjust the payment amounts of the Bonds as provided in “TERMS RELATING TO THE BONDS - Adjustment of Principal Payments” the City reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for any Series of 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 any or all Series of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Controller's Office of Public Finance of the City 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 each Series of 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 each Series of 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 [Closing Date]*.** Payment for the delivery of the Bonds of each Series shall be coordinated at the offices of Norton Rose Fulbright US LLP, in Los Angeles, California, or at such other place as may be mutually agreed upon by the City and each Purchaser. Such payment and delivery is called the "Closing." Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser. The City will deliver to the Purchaser of each Series of Bonds, dated as of the delivery date, a copy of the legal opinions with respect to the Bonds described in APPENDIX F to the Preliminary Official Statement.

* Preliminary; subject to change.

Qualification for Sale. The City will furnish such information and take such action not inconsistent with law as a Purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; provided, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for a Series of 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. A Purchaser will have the right, at its option, to cancel the 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 such Bonds in accordance with the terms hereof.

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

Expenses of the Purchaser(s). CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the Purchaser(s) will be the responsibility of the Purchaser of each Series. 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 Elabra www.elabra.com 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 each Series of Bonds will be furnished with a reasonable number of copies (not to exceed fifty (50)) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of each Series of Bonds must notify the City in writing within two (2) days of the sale of the Bonds if such Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

At the request of a Purchaser, the City will include in the final Official Statement information concerning the qualification of the offer and sale in foreign jurisdictions (and related settlement procedures) of the Series of Bonds to be purchased by such Purchaser. If the inclusion of such language is requested by a Purchaser, such language shall be provided by, and be the responsibility of, such Purchaser. The City does not and will not take responsibility whatsoever with respect to the accuracy or completeness of the information provided by such Purchaser with respect to the qualification of the offer or sale of the Series of Bonds to be offered or sold by such Purchaser in foreign jurisdictions (and related settlement procedures) or whether such information or any other information in the Official Statement is sufficient or adequate for such Purchaser to offer or sell such Series of Bonds in any foreign jurisdiction. Each Purchaser must undertake responsibility for compliance with all laws and regulations of any applicable foreign jurisdiction in connection with any offer or sale of any Series of Bonds by such Purchaser to persons outside the United States.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, each Purchaser will receive a Certificate, signed by an authorized representative of the City, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such

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

Purchaser's Certificate Concerning Official Statement. As a condition of delivery of each Series of the Bonds, the Purchaser of such Series of 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 such Series of Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of such Series of Bonds to the public at the prices and yields so shown.
- (ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws and the securities laws of any foreign jurisdiction where such Purchaser offers or sells, or plans to offer or sell, any of the Bonds, has reviewed the information in the final Official Statement and has not notified the City of the need to modify or supplement the final Official Statement.
- (iii) [The Purchaser undertakes responsibility for compliance with all laws and regulations of any applicable foreign jurisdiction in connection with any offer or sale of any Series of Bonds by such Purchaser to persons outside the United States.]
- (iv) The foregoing statements will be true and correct as of the date of Closing.

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

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

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form at Elabra at www.elabra.com or the Municipal Advisor.

Dated: _____.

EXHIBIT A

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

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

**[\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(_____),
SERIES 2023__**

This certificate is being delivered by [Purchaser], the purchaser (“Purchaser”) in connection with the issuance of the City and County of San Francisco General Obligation Bonds, Series 2023__ (“Bonds”). The Purchaser hereby certifies and represents that:

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Purchaser are the prices listed in Schedule A (“Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.

(d) The aggregate issue price of the Bonds, being the aggregate Expected Offering Prices of all Maturities, is \$_____ (the “Issue Price”).

2. Defined Terms.

(a) *Issuer* means the City and County of San Francisco.

(b) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

* Preliminary, subject to change.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

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

(e) *Sale Date* means the date of execution of a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Sale Date].

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a tax certificate with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Alexis S. M. Chiu, Esq., Co-Bond Counsel, in connection with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By: _____

Name: _____

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF PURCHASER'S BID
(Attached)

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

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

**[\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
TAX-EXEMPT GENERAL OBLIGATION BONDS
(_____),
SERIES 2023__**

The undersigned, on behalf of _____ (“Purchaser”), hereby certifies as set forth below with respect to the issuance of the above-captioned obligations (“Bonds”) of the City and County of San Francisco (“City”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) The Purchaser offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (“Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Official Notice of Sale, the Purchaser agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (“hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed

* Preliminary, subject to change.

in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Purchaser sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

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

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Sale Date].

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

4. Issue Price.

The expected aggregate issue price of the Bonds, being the aggregate Sale Prices of all General Rule Maturities and the Initial Offering Prices of all Hold-the-Offering-Price Maturities, is \$_____ (the “Issue Price”).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the tax certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Alexis S. M. Chiu, Esq., Co-Bond Counsel, in connection

with rendering their opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that they may give to the City from time to time relating to the Bonds.

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By: _____

Name: _____

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

PRELIMINARY OFFICIAL STATEMENT DATED [_____] , 2023

NEW ISSUE – BOOK-ENTRY ONLY

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

[In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described herein, interest on the Tax-Exempt Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the Tax-Exempt Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Co-Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Interest on the Taxable Bonds is included in gross income for federal income tax purposes. See "TAX MATTERS."] [To be updated by Co-Bond Counsel.]



**[\$Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS**

Consisting of

**[\$2023A PAR]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(HEALTH AND
RECOVERY, 2020)
SERIES 2023A**

**[\$2023B PAR]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY, 2018)
SERIES 2023B**

**[\$2023C PAR]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING, 2019)
SERIES 2023C**

Dated: Date of Delivery

Due: As shown on the inside pages

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 [Tax-Exempt/Taxable] General Obligation Bonds (Health and Recovery, 2020), Series 2023A (the "2023A Bonds"), its [Tax-Exempt/Taxable] General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2023B (the "2023B Bonds") and its [Tax-Exempt/Taxable] General Obligation Bonds (Social Bonds – Affordable Housing, 2019), Series 2023C (the "2023C Bonds," and together with the 2023A Bonds and the 2023B Bonds, the "Bonds"). Throughout this Official Statement, the [_____] Bonds and the [_____] Bonds are collectively referred to as the "Tax-Exempt Bonds" and the [_____] Bonds and the [_____] Bonds are collectively referred to as the "Taxable Bonds." The Bonds will be issued by the City 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 and duly approved by the Mayor of the City. The issuance of the 2023A Bonds has been authorized at an election of the registered voters of the City on November 3, 2020, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. The issuance of the 2023B Bonds has been authorized at an election of the registered voters of the City on November 6, 2018, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. The issuance of the 2023C Bonds has been authorized at an election of the registered voters of the City on November 5, 2019, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to finance certain public improvements as described herein, and to pay certain costs related to the issuance of the Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the pages immediately following the cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2023. Principal will be paid at maturity as shown on the pages immediately following the 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

* Preliminary, subject to change.

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

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2023

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 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 BONDS WILL BE RECEIVED BY THE CITY AT [8:00] A.M. PACIFIC TIME ON [____], AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [____], 2023, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See “SALE OF THE BONDS” herein.

MATURITY SCHEDULE

(See Pages Immediately Following Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchasers, subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California and Alexis S. M. Chiu, Esq., San Francisco, 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, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [____], 2023.

Dated: [____], 2023.

MATURITY SCHEDULE
(Base CUSIP[†] Number: [79773K])

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

[\$[2023A Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(HEALTH AND RECOVERY, 2020)
SERIES 2023A

| Maturity Date (June 15) | Principal Amount | Interest Rate | Price/Yield[‡] | CUSIP[†] Suffix |
|--|-----------------------------|--------------------------|--------------------------------|-------------------------------------|
|--|-----------------------------|--------------------------|--------------------------------|-------------------------------------|

\$ _____ % Term 2023A Bonds due June 15, 20__ Price/Yield[‡] _____ CUSIP[†] No. _____

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

[‡] The Purchasers provided their respective reoffering prices and yields. The City takes no responsibility for the accuracy thereof.

* Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP[†] Number: [79773K])

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

[\$[2023B Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018)
SERIES 2023B

| Maturity Date (June 15) | Principal Amount | Interest Rate | Price/Yield[‡] | CUSIP[†] Suffix |
|--|-----------------------------|--------------------------|--------------------------------|-------------------------------------|
|--|-----------------------------|--------------------------|--------------------------------|-------------------------------------|

\$ _____ % Term 2023B Bonds due June 15, 20__ Price/Yield[‡] _____ CUSIP[†] No. _____

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

[‡] The Purchasers provided their respective reoffering prices or yields. The City takes no responsibility for the accuracy thereof.

* Preliminary, subject to change.

MATURITY SCHEDULE
(Base CUSIP[†] Number: [79773K])

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

[\$2023C Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION BONDS
(SOCIAL BONDS – AFFORDABLE HOUSING, 2019)
SERIES 2023C

| Maturity Date (June 15) | Principal Amount | Interest Rate | Yield[‡] | CUSIP[†] Suffix |
|--|-----------------------------|--------------------------|--------------------------|-------------------------------------|
|--|-----------------------------|--------------------------|--------------------------|-------------------------------------|

\$ _____ % Term 2023C Bonds due June 15, 20__ Price/Yield[‡] _____ CUSIP[†] No. _____

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

[‡] The Purchasers provided their respective reoffering prices or yields. The City takes no responsibility for the accuracy thereof.

* Preliminary, subject to change.

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.

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

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

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

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

The City maintains a website 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 by such references.



CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Shamann Walton, *Board President, District 10*

| | |
|--------------------------------------|-------------------------------------|
| Connie Chan, <i>District 1</i> | Matt Dorsey, <i>District 6</i> |
| Catherine Stefani, <i>District 2</i> | Myrna Melgar, <i>District 7</i> |
| Aaron Peskin, <i>District 3</i> | Rafael Mandelman, <i>District 8</i> |
| [Gordon Mar], <i>District 4</i> | Hillary Ronen, <i>District 9</i> |
| Dean Preston, <i>District 5</i> | Ahsha Safai, <i>District 11</i> |

CITY ATTORNEY

David Chiu

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

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

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

| | |
|--|---|
| Norton Rose Fulbright US LLP <i>Los Angeles, California</i> | Alexis S. M. Chiu, Esq. <i>San Francisco, California</i> |
|--|---|

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Co-Disclosure Counsel

| | |
|--|--|
| Hawkins Delafield & Wood LLP <i>San Francisco, California</i> | Stradling Yocca Carlson & Rauth, A Professional Corporation <i>Newport Beach, California</i> |
|--|--|

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APPENDIX A – CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

APPENDIX B – COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF
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OFFICIAL STATEMENT

**§[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS**

Consisting of

**§[2023A Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020)
SERIES 2023A**

**§[2023B Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY,
2018)
SERIES 2023B**

**§[2023C Par]*
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019)
SERIES 2023C**

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 [Tax-Exempt/Taxable] General Obligation Bonds (Health and Recovery, 2020), Series 2023A (the “2023A Bonds”), its [Tax-Exempt/Taxable] General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2023B (the “2023B Bonds”), and its [Tax-Exempt/Taxable] General Obligation Bonds (Social Bonds – Affordable Housing, 2019), Series 2023C (the “2023C Bonds,” and together with the 2023A Bonds and the 2023B Bonds, the “Bonds”). Throughout this Official Statement, the [] Bonds and the [] Bonds are collectively referred to as the “Tax-Exempt Bonds” and the [] Bonds and the [] Bonds are collectively referred to as the “Taxable Bonds.” 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 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 336, San Francisco, California 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

* Preliminary, subject to change.

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa-Sonoma wine country is about an hour’s drive to the north. The City estimates the City’s population in fiscal year 2020-21 was 851,916.

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

The COVID-19 pandemic is a significant development materially adversely affecting the City’s finances and outlook. Many aspects of the City’s future finances and operations and the local economy have been and are expected to continue to be materially adversely impacted by the COVID-19 pandemic. Accordingly, any historical information or budgets and projections described in this Official Statement, including Appendices A and B attached hereto, which predate the COVID-19 pandemic or do not fully reflect its potential impact, should be considered in light of a possible or probable negative impact from the COVID-19 pandemic. The COVID-19 pandemic has resulted in general negative effects on the City’s economy which materially adversely impacted the City’s tax revenues and increased expenses due to public health responses. These decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its “other local taxes,” which includes hotel and sales taxes. While COVID-19 case rates have significantly declined, vaccination rates have increased, certain emergency orders have been lifted, and the national and local economy has been improving, the situation is still developing and the resulting impact on the City’s local economy, finances and operations remains unknown. The projections and other forward-looking statements in this Official Statement are based on current expectations and 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. See “CERTAIN RISK FACTORS – Public Health Emergencies” and Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges” herein. The City may post certain reports and other information relating to the COVID-19 pandemic when available on its investor information website located at <https://sfcontroller.org/continuing-secondary-market-disclosure>.

The City has historically been a major convention and tourist destination. However, the COVID-19 pandemic has significantly adversely impacted, and is expected to continue to adversely impact tourism and convention activities in the City. According to the San Francisco Travel Association, a nonprofit membership organization (“SFTA”), during the calendar year 2021, approximately 17.1 million tourists visited the City, with total spending estimated at \$3.69 billion, including spending from meetings and conventions. In calendar year 2020, SFTA reports that approximately 11.8 million tourists visited the City, with total spending estimated at \$2.85 billion, including spending from conventions, trade shows and group meetings. In calendar year 2019, SFTA reports that approximately 26.3 million tourists visited the City, with total spending estimated at \$10.29 billion, including spending from conventions, trade shows and group meetings.

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2020-21 was \$173,097. 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 University of California Hastings College of the Law (soon to be renamed as UC College of the Law, San Francisco), the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the San Francisco Art Institute, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport (“SFO”), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the “Airport Commission”), and is the principal commercial service airport for the Bay Area and one of the nation’s principal gateways for Pacific Rim traffic. As discussed above, the COVID-19 pandemic has significantly adversely impacted tourism and travel in the San Francisco Bay Area. In fiscal year 2021-22, SFO served approximately 34.9 million passengers (compared to approximately 13.7 million passengers in fiscal year 2020-21, 40.5 million passengers in fiscal year 2019-20 and 57 million passengers in fiscal year 2018-19) and handled 545,335 metric tons of cargo (compared to 471,793 metric tons in fiscal year 2020-21, 490,073 metric tons in fiscal year 2019-20 and 564,485 metric tons in fiscal year 2018-19). 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 (investors should note that since fiscal year 2019-20, telecommuting resulting from emergency stay-at-home orders caused ridership into and within the City to decline significantly compared to pre-pandemic levels (see Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Commuting Pattern Changes”). 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 2022-23 and 2023-24 totals \$14.0 billion and \$13.9 billion, respectively. The General Fund portion of each year’s proposed budget is \$6.8 billion in fiscal year 2022-23 and \$6.9 billion in fiscal year 2023-24, 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 (“SFPUCC”). According to the Controller of the City (the “Controller”), at the start of fiscal year 2022-23, total net assessed valuation of taxable property in the City was approximately \$328.5 billion, which represents an increase of approximately 6.7% over fiscal year 2021-22.

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, 2022.”

THE BONDS

Authority for Issuance; Purposes

General. The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2023A Bonds by (i) Resolution No. 234-21, adopted by the Board of Supervisors of the City on May 18, 2021, and duly approved by the Mayor of the City on May 28, 2021, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023A Resolutions”). The City authorized the issuance of the 2023B Bonds by (i) Resolution No. 323-19, adopted by the Board of Supervisors of the City on July 16, 2019, and duly approved by the Mayor of the City on July 26, 2019, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023B Resolutions”). The City authorized the issuance of the 2023C Bonds by (i) Resolution No. 448-20, adopted by the Board of Supervisors of the City on October 6, 2020, and duly approved by the Mayor of the City on October 9, 2020, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023C Resolutions,” and with the 2023A Resolutions and the 2023B Resolutions, the “Resolutions”).

2023A Bonds. The 2023A Bonds will constitute the second issuance of bonds from an aggregate authorized amount of \$487,500,000 of City and County of San Francisco General Obligation Bonds (Health and Recovery, 2020), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 3, 2020 (“Proposition A (2020)”), to provide funds for the purposes authorized in Proposition A (2020), which are summarized as follows: to finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City’s streets and other public right-of-way and related assets; and to pay related costs. The City previously issued \$258,505,000 of the bonds authorized by Proposition A (2020). After the issuance of the 2023A Bonds, \$ _____* of unissued bonds will remain authorized under Proposition A (2020).

2023B Bonds. The 2023B Bonds will constitute the second issuance of bonds from an aggregate authorized amount of \$425,000,000 of City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), duly approved by at least two-thirds of the voters voting on Proposition A at an election held on November 6, 2018 (“Proposition A (2018)”), to provide funds for the purposes authorized in Proposition A (2018), which are summarized as follows: to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding and rising seas by: repairing the 100 year old Embarcadero Seawall; strengthening the Embarcadero; fortifying transit infrastructure and utilities serving residents and businesses. The City previously issued \$49,675,000 of the bonds authorized by Proposition A (2018). After the issuance of the 2023B Bonds, \$ _____* of unissued bonds will remain authorized under Proposition A (2018).

2023C Bonds. The 2023C Bonds will constitute the second issuance of bonds from an aggregate authorized amount of \$600,000,000 of City and County of San Francisco General Obligation Bonds (Affordable Housing, 2019), duly approved by at least two-thirds of the voters voting on Proposition A at an election held on November 5, 2019 (“Proposition A (2019)”), to provide funds for the purposes authorized in Proposition A (2019). Proposition A (2019) authorized the City to incur bonded indebtedness to finance the construction, development, acquisition, and preservation of housing affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations such as the City’s working families, veterans, seniors, and persons with disabilities; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent the displacement of residents; to repair and reconstruct

* Preliminary, subject to change.

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. Of the \$600,000,000 of general obligation bond authorization, Proposition A (2019) allocated (i) \$220,000,000 to acquire, build and rehabilitate rental housing for extremely low and low-income individuals and families (Low-Income Housing); (ii) \$150,000,000 to repair and rebuild public housing developments (Public Housing); (iii) \$150,000,000 to acquire and construct housing for seniors (Senior Housing); (iv) \$60 million to acquire and rehabilitate affordable rental housing to prevent the loss of such housing and to assist middle-income City residents and workers to secure permanent housing (Affordable Housing Preservation and Middle-Income Housing); and (v) \$20,000,000 to support affordable housing for educators and employees of the SFUSD and City College of San Francisco (Educator Housing). The City previously issued \$254,585,000 of the bonds authorized by Proposition A (2019). After the issuance of the 2023C Bonds, \$ _____* of unissued bonds will remain authorized under Proposition A (2019).

Designation of 2023C Bonds as Social Bonds. The City is designating the 2023C Bonds as “Social Bonds” as it has determined that the projects to be financed with the proceeds of the 2023C Bonds are “Social Projects” based on the social benefits of addressing affordable housing within the City. The projects planned to be financed with proceeds of the 2023C Bonds, in accordance with the requirements of Proposition A (2019), will address the need within the City to preserve or increase affordable housing stock. Proposition A (2019) in the total amount of \$600,000,000, seeks to address critical housing needs, protect residents, and stabilize communities. Proposition A (2019) funding will be used to:

- create new affordable homes, especially for the City’s growing senior population;
- accelerate the rebuilding of distressed public housing sites for some of the City’s most vulnerable residents;
- preserve affordability in existing housing at risk of market-rate conversion or loss due to physical disrepair;
- protect San Franciscans living in apartments at risk of displacement, including those covered by rent control;
- expand rental and homeownership opportunities for the City’s middle-income residents and workforce, including educators, first responders, non-profit workers, and service industry employees; and
- allocate one third of Proposition A (2019)’s bond funds to serve extremely Low-Income households (30% AMI or less).

As such, eligible uses under Proposition A (2019) include rehabilitation or replacement of public housing, including associated horizontal infrastructure; new affordable housing for low-income households, seniors, and middle-income households, including acquisition of land for such projects; and acquisition and rehabilitation of existing residential properties for occupancy by low and moderate income households. More details regarding Proposition A (2019) are available at the following internet address: https://sfmohcd.org/sites/default/files/2019_GeneralObligationHousingReport-FINAL061919.pdf. The information available on such website is not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2023C Bonds.

Proposition A (2019) projects will be financed under the City’s affordable housing loan program and evaluated, administered, and monitored by the Mayor’s Office of Housing and Community Development (“MOHCD”). The mission of the housing division of MOHCD is to provide financing for the development,

* Preliminary, subject to change.

rehabilitation and purchase of affordable housing in the City. MOHCD also guides and coordinates the City's housing policy. MOHCD administers a variety of programs to finance the development of affordable housing by non-profit and for profit developers, provides financial and educational assistance to first-time homebuyers, and finances housing rehabilitation costs for low-income homeowners. MOHCD is also responsible for monitoring and ensuring the long-term affordability and physical viability of the City's stock of affordable housing. MOHCD's funding decisions are based on priorities and strategies outlined in a "Consolidated Plan," which is a planning document for the City's community development and affordable housing activities, developed through City-wide public input, especially from residents and stakeholders of low-income communities. The Consolidated Plan is available at <https://sfmohcd.org/plans-progress-reports>. The information available on such website is not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2023C Bonds.

The designation of the 2023C Bonds as "Social Bonds" is intended to generally comport with The Social Bond Principles promulgated by the International Capital Market Association ("ICMA"), updated as of June 2021 (with an update to Appendix 1 in June 2022). As promulgated by the ICMA, the "Social Bond Principles" have four core components (*i.e.*, Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds, and Reporting), each of which are further described below.

The term "Social Bonds" is neither defined in nor related to provisions in the 2023C Resolutions. Owners of the 2023C Bonds do not have any security other than as provided in the 2023C Resolutions and described under "SECURITY FOR THE BONDS," nor do such owners of the 2023C Bonds assume any specific project risk related to any of the projects funded thereby. "Social Projects" and "Social Bonds" are entirely self-designating labels lacking any objective guidelines or criteria. ICMA is a European-based entity with some members from the United States. The City assumes no obligation to ensure that the projects financed with proceeds of the 2023C Bonds comply with any legal or other standards or principles that may relate to "Social Projects" or that the 2023C Bonds comply with any legal or other standards or principles that may relate to "Social Bonds." The designation of the 2023C Bonds as Social Bonds does not entitle the holders of such obligations to any special treatment under the Internal Revenue Code of 1986, as amended.

[City to review and update the following paragraphs:]

ICMA Mapping of Social Bond Principles to United Nations Sustainable Development Goals. By reference to the ICMA "Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals" (June 2022), the City has determined that the City's Social Bonds designation reflects the use of proceeds in a manner that is consistent with "Goal 1: No Poverty" and "Goal 11: Sustainable Cities and Communities" of the United Nations 17 Sustainable Development Goals (referred to as "UNSDGs" generally and "SDG 1" and "SDG 11," specifically). According to the United Nations, the UNSDGs were adopted by the United Nations General Assembly in September 2015 as part of its 2030 Agenda for Sustainable Development. According to the United Nations, SDG 1 is focused on ending poverty in all its forms everywhere and SDG 11 is focused on making the cities and communities inclusive, safe, resilient and sustainable. ICMA maps SDG 1.4 to ICMA Social Bond Principles "Affordable Housing," "Access to Essential Services," and "Socioeconomic Advancement and Empowerment"; and maps SDG 11.1 to ICMA Social Bond Principles "Affordable Housing" and "Affordable Basic Infrastructure."

Use of 2023C Bond Proceeds. In furtherance of the purposes authorized under Proposition A (2019), the City plans to use the proceeds of the 2023C Bonds to provide loans to finance or refinance affordable housing in the City consistent with the purposes set forth in Proposition A (2019). Project proceeds will generally be loaned under MOHCD's affordable housing lending program to affordable housing developers through non-performing long term loans, with repayments due from any project residual receipts, or shorter term predevelopment loans or acquisition loans. Project proceeds may also fund direct acquisition and rehabilitation of existing housing for preservation as affordable, and direct acquisition of real property for future development of affordable housing. The City currently has identified 33 projects, with an estimated total of 1,600 affordable housing units, eligible for funding using bonds issued under Proposition A (2019).

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 pages immediately following the 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, 2023, at the interest rates shown on the pages immediately following the 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, 2023 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds or from the date of delivery of the Bonds if the first interest payment is not made.

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

Redemption*

Optional Redemption of the 2023A Bonds

The 2023A Bonds maturing on or after June 15, 20__ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20__, at a redemption price equal to the principal amount of 2023A Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption of the 2023B Bonds

The 2023B Bonds maturing on or after June 15, 20__ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20__, at a redemption price equal to the principal amount of 2023B Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

Optional Redemption of the 2023C Bonds

The 2023C Bonds maturing on or after June 15, 20__ will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 20__, at a redemption price equal to the principal amount of 2023C Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

[Make-Whole Optional Redemption of the 2023C Bonds

The 2023C Bonds maturing on or before June 15, 20__ will be subject to redemption either in whole or in part, at the option of the City, at any time, at a redemption price equal to the greater of (i) 100% of the principal amount thereof or (ii) the Discounted Value thereof, plus in either case, accrued interest thereon to the date of redemption. The 2023C Bonds may be redeemed in any order of maturity and in any principal amount within a maturity as selected by the City in its sole discretion. All calculations and determinations referred to under this caption “Make-Whole Optional Redemption of the 2023C Bonds,” except as provided in the preceding sentence, are expected (but not required) to be made by a financial advisor or other agent selected by the City for such purposes (the “Calculation Agent”).

“Discounted Value” means, with respect to each outstanding maturity of the 2023C Bonds to be redeemed, the sum as determined by the City or the Calculation Agent of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such maturity from their respective scheduled payment dates to the applicable redemption date, at a yield (computed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“Discount Yield” means, the Blended Treasury Yield determined by the City or the Calculation Agent with respect to the 2023C Bonds maturity to be redeemed, plus _____ basis points. The Discount Yield will be calculated assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months.

“Blended Treasury Yield” means, with respect to the 2023C Bonds of a particular maturity, the yield computed by the City or the Calculation Agent as the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury Yield equals the date that corresponds to the remaining average life of the Bonds maturity to be redeemed from the redemption date. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index

* Preliminary, subject to change.

whose maturity is closest to but no later than the date corresponding to the remaining average life of the 2023C Bonds maturity to be redeemed; the second Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the 2023C Bonds maturity to be redeemed.

“Market Treasury Yield” means that yield, as determined by the City or the Calculation Agent, assuming semi-annual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to:

(i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as “Page PX1” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of any actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m., New York City time, on the Valuation Date received from no less than five primary dealers in U.S. Government securities selected by the City.

“Valuation Date” means no less than the third Business Day or more than the twentieth Business Day preceding the redemption date.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) of the definition of Market Treasury Yield above will be determined using the average of the bid and ask prices for that security.]

Mandatory Redemption of the 2023A Bonds

The 2023A 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 of and interest on the 2023A Bonds subject to mandatory redemption will be paid from the 2023A Bond Subaccount established under the 2023A Resolutions. In lieu of any such mandatory redemption for 2023A Bonds, at any time prior to the selection of 2023A Bonds for mandatory redemption, the City may apply amounts on deposit in the 2023A Bond Subaccount to make such payment to the purchase, at

public or private sale, of 2023A 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.

Mandatory Redemption of the 2023B Bonds

The 2023B 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 of and interest on the 2023B Bonds subject to mandatory redemption will be paid from the 2023B Bond Subaccount established under the 2023B Resolutions. In lieu of any such mandatory redemption for 2023B Bonds, at any time prior to the selection of 2023B Bonds for mandatory redemption, the City may apply amounts on deposit in the 2023B Bond Subaccount to make such payment to the purchase, at public or private sale, of 2023B 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.

Mandatory Redemption of the 2023C Bonds

The 2023C 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 of and interest on the 2023C Bonds subject to mandatory redemption will be paid from the 2023C Bond Subaccount established under the 2023C Resolutions. In lieu of any such mandatory redemption for 2023C Bonds, at any time prior to the selection of 2023C Bonds for mandatory redemption, the City may apply amounts on deposit in the 2023C Bond Subaccount to make such payment to the purchase, at public or private sale, of 2023C 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.

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

[Whenever less than all the outstanding 2023A Bonds or 2023B Bonds are called for redemption on any date, the Director of Public Finance will select the maturities of such series of Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding 2023A Bonds or 2023B Bonds maturing on any one date are called for redemption, the particular Bonds of such series or portions thereof to be redeemed will be selected in any manner which the Director of Public Finance deems fair. The 2023A Bonds or the 2023B Bonds may be redeemed in denominations of \$5,000 or any integral multiple thereof.

If the 2023C Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2023C Bonds will be effected by the City or the Paying Agent among owners on a pro rata basis in the principal amount of \$5,000 or any integral multiple thereof. The particular 2023C Bonds to be redeemed will be determined by the City or the Paying Agent, using such method as the City or the Paying Agent deems fair and appropriate.

If the 2023C 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 2023C Bonds, if less than all of the 2023C Bonds of a maturity are called for prior redemption, the particular 2023C 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 2023C Bonds are held in book-entry form, the selection for redemption of such 2023C Bonds will be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the City or the Paying Agent pursuant to DTC operational arrangements. If the City or the Paying Agent do not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2023C Bonds will be selected for redemption in accordance with DTC procedures by lot.

It is the City’s intent with respect to the 2023C Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2023C Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the 2023C Bonds will be selected for redemption in accordance with DTC procedures by lot.]

Notice of Redemption

The date on which Bonds of a series 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 the Bonds to be redeemed, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

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

“CONTINUING DISCLOSURE” and Appendix D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” herein.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds of a series called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of a series of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such Bonds or portions of such Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of optional redemption may be conditioned on the receipt of funds or any other event specified in the notice. See “– Conditional Notice; Right to Rescind Notice of Optional Redemption” below.

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

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the Bonds of a series called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the Redemption Account established under the relevant Resolutions, the Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of such Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the related 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 related Redemption Account. All Bonds redeemed will be canceled immediately by the City Treasurer and will not be reissued.

Moneys held in a Redemption Account will be invested by the City Treasurer pursuant to the City’s policies and guidelines for investment of moneys in the General Fund of the City. See Appendix C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY.”

Conditional Notice; Right to Rescind Notice of Optional Redemption

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

The 2023A Resolutions establish a project account for the bonds issued under Proposition A (2020) (the “Proposition A (2020) Project Account”), including the 2023A Bonds, and within the Proposition A (2020) Project Account, a subaccount for the 2023A Bonds (the “2023A Project Subaccount”). The 2023B Resolutions establish a project account for bonds issued under Proposition A (2018) (the “Proposition A (2018) Project Account”), including the 2023B Bonds, and within the Proposition A (2018) Project Account, a subaccount for the 2023B Bonds (the “2023B Project Subaccount”). The 2023C Resolutions establish a project account for the bonds issued under Proposition A (2019) (the “Proposition A (2019) Project Account,” and together with the Proposition A (2020) Project Account and the Proposition A (2018) Project Account, the “Project Accounts”), including the 2023C Bonds, and within the Proposition A (2019) Project Account, a subaccount for the 2023C Bonds (the “2023C Project Subaccount,” and together with the 2023A Project Subaccount and the 2023B Project Subaccount, the “Project Subaccounts”).

Each Project Subaccount 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 Accounts as may be necessary or convenient in connection with the administration of projects or the bonds issued under the Resolutions.

All of the proceeds of the sale of the 2023A Bonds (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 2023A Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2020). All of the proceeds of the sale of the 2023B Bonds (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 2023B Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2018). All of the proceeds of the sale of the 2023C Bonds (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 2023C Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2019).

When such objects and purposes have been accomplished, any moneys remaining in the 2023A Project Subaccount, the 2023B Project Subaccount or the 2023C Project Subaccount will be transferred to the bond account established under the 2023A Resolutions, the bond account established under the 2023B Resolutions, or the bond account established under the 2023C Resolutions, as appropriate, and such funds will be applied to the scheduled payment of the principal of and interest on the related series of Bonds (see “SECURITY FOR THE BONDS – Flow of Funds Under the Resolutions”). Amounts in each Project Subaccount may be applied to the payment of costs of issuance of Bonds issued under the related Resolutions, 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.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds’ respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds’ respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest

earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to the Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the 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 of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash 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 the respective Rating Agency on such United States Obligations.

“United States Obligations” means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, 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, 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.

SOURCES AND USES OF FUNDS

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

| Sources | 2023A Bonds | 2023B Bonds | 2023C Bonds | Total |
|------------------------------------|------------------------|------------------------|------------------------|--------------|
| Principal Amount of Bonds | | | | |
| Original Issue Premium | | | | |
| Total Sources of Funds | | | | |
| | | | | |
| Uses | | | | |
| Deposit to Project Subaccounts | | | | |
| Project Fund | | | | |
| CSA Audit Fee ⁽¹⁾ | | | | |
| Deposit to Bond Subaccounts | | | | |
| Oversight Committee ⁽²⁾ | | | | |
| Underwriter's Discount | | | | |
| Costs of Issuance ⁽³⁾ | | | | |
| Total Uses of Funds | | | | |

- ⁽¹⁾ The City's Charter requires 0.2% of all Project Subaccount deposits to be set aside for the City's Office of the Controller's City Services Auditor ("CSA") fee.
- ⁽²⁾ See "THE BONDS – Authority for Issuance; Purposes – Bond Oversight."
- ⁽³⁾ Includes fees for services of rating agencies, the Municipal Advisor, Co-Bond Counsel, Co-Disclosure Counsel, costs to the City, printing costs, other miscellaneous costs associated with the issuance of the Bonds, and rounding amounts.

DEBT SERVICE SCHEDULES

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

**City and County of San Francisco
General Obligation Bonds
2023A Bonds ⁽¹⁾**

| Payment Date | Principal | Interest | Total Debt Service | Fiscal Year Total |
|-------------------------|------------------|-----------------|-------------------------------|------------------------------|
| Total | | | | |

⁽¹⁾ A portion of the debt service will be paid from original issue premium deposited in the 2023A Bond Subaccount. See "SOURCES AND USES OF FUNDS."

**City and County of San Francisco
 General Obligation Bonds
 2023B Bonds⁽¹⁾**

| Payment Date | Principal | Interest | Total Debt Service | Fiscal Year Total |
|-------------------------|------------------|-----------------|-------------------------------|------------------------------|
| | | | | |
| Total | | | | |

⁽¹⁾ A portion of the debt service will be paid from original issue premium deposited in the 2023B Bond Subaccount. See “SOURCES AND USES OF FUNDS.”

**City and County of San Francisco
 General Obligation Bonds
 2023C Bonds⁽¹⁾**

| Payment Date | Principal | Interest | Total Debt Service | Fiscal Year Total |
|-------------------------|------------------|-----------------|-------------------------------|------------------------------|
| | | | | |
| Total | | | | |

⁽¹⁾ A portion of the debt service will be paid from original issue premium deposited in the 2023C Bond Subaccount. See “SOURCES AND USES OF FUNDS.”

**City and County of San Francisco
General Obligation Bonds
2023A Bonds, 2023B Bonds and 2023C Bonds⁽¹⁾**

| Payment Date | 2023A Bonds | | | 2023B Bonds | | | 2023C Bonds | | | Fiscal Year Total |
|-------------------------|--------------------|-----------------|-------------------------------|--------------------|-----------------|-------------------------------|--------------------|-----------------|-------------------------------|------------------------------|
| | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | |
| Total | | | | | | | | | | |

⁽¹⁾ A portion of the debt service will be paid from original issue premium deposited in the Bond Accounts relating to the Bonds. See “SOURCES AND USES OF FUNDS.”

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⁾**

| <u>Fiscal Year</u> | <u>Total Debt Service on the Bonds</u> | <u>Other General Obligation Bonds Debt Service⁽²⁾</u> | <u>Total Debt Service</u> |
|--------------------|--|--|---------------------------|
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| 2039 | | | |
| 2040 | | | |
| 2041 | | | |
| 2042 | | | |
| 2043 | | | |
| 2044 | | | |
| 2045 | | | |
| 2046 | | | |
| 2047 | | | |
| 2048 | | | |
| 2049 | | | |
| 2050 | | | |
| 2051 | | | |
| 2052 | | | |
| 2053 | | | |
| 2054 | | | |
| 2055 | | | |
| 2056 | | | |
| 2057 | | | |
| 2058 | | | |
| 2059 | | | |
| 2060 | | | |
| 2061 | | | |
| Total | _____ | _____ | _____ |

⁽¹⁾ Amounts are rounded off to the nearest dollar.

⁽²⁾ As of [_____]. See Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds.”

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 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, 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, a 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 Tax Revenues Subaccounts relating to the Bonds (as defined below 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.

Pursuant to the Resolutions, the City will pledge the Bond Accounts (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 Resolutions (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 Accounts. The 2023A Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition A (2020) (the “Proposition A (2020) Bond Account”), including the 2023A Bonds, and within the Proposition A (2020) Bond Account, a subaccount for the 2023A Bonds (the “2023A Bond Subaccount”), to be held separate and apart from all other accounts of the City. The 2023B Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition A (2018) (the “Proposition A (2018) Bond Account”), including the 2023B Bonds, and within the Proposition A (2018) Bond Account, a subaccount for the 2023B Bonds (the “2023B Bond Subaccount”), to be held separate and apart from all other accounts of the City. The 2023C

Resolutions provide for the establishment with the City Treasurer of a special bond account for all bonds issued under Proposition A (2019) (the “Proposition A (2019) Bond Account,” and together with the Proposition A (2020) Bond Account and the Proposition A (2018) Bond Account, the “Bond Accounts”), including the 2023C Bonds, and within the Proposition A (2019) Bond Account, a subaccount for the 2023C Bonds (the “2023C Bond Subaccount” and together with the 2023A Bond Subaccount and the 2023B Bond Subaccount, the “Bond Subaccounts”), to be held separate and apart from all other accounts of the City.

The Bond Accounts and all subaccounts therein will be administered by the City Treasurer with all disbursements of funds therefrom subject to the authorization of the Controller. Pursuant to the applicable sale resolution, the Controller or the City Treasurer, as applicable, may establish such additional accounts and subaccounts within the related 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 appropriate Resolutions, to provide for the payment of principal and interest on such series of bonds.

The City Treasurer will deposit in the related Bond Account from the proceeds of sale of the Bonds any moneys received on account of original issue premium and interest accrued on the Bonds 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 are outstanding, moneys in the related 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 the related 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 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 Resolutions, all taxes collected by the City for the payment of debt service on a related series of Bonds will be deposited in a special subaccount within the Bond Account relating to such series of Bonds, to be designated as the “Tax Revenues Subaccount.”

Bond Subaccounts. The Resolutions provide that (i) on or prior to the date on which any payment of principal of or interest on a series of Bonds is due, the City Treasurer will allocate to and deposit in the appropriate Bond Subaccount, from amounts held in the related Bond Account, an aggregate amount which, when added to any available moneys contained in such Bond Subaccount, is sufficient to pay principal of and interest on the related Bonds on such date, and (ii) on or prior to the date on which any series of Bonds are to be redeemed at the option of the City, the City Treasurer may allocate to and deposit in the Redemption Account established under the related Resolutions, from amounts held in the appropriate Bond Account, an amount which, when added to any available moneys contained in the related Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such series of 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 Bond Subaccounts 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 Bond Subaccounts with other City moneys or (ii) deposit amounts credited to the Bond Subaccounts into a separate fund or funds for investment purposes only; provided, that all of the moneys held in each 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 each Bond Subaccount will be retained in such Bond Subaccount.

Interest. On or before June 15 and December 15 in each year that any of the bonds issued under the Resolutions 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 related 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 related 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 Resolutions are outstanding, the City Treasurer will set aside in the related 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.

All moneys in the Bond Accounts 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 Resolutions 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 Resolutions 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 Resolutions (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 Resolutions, 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.”

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 2022-23, the total net assessed valuation of taxable property within the City was approximately \$328.5 billion, which represents an increase of 6.7% over fiscal year 2021-22. 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 XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The 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 \$328.5 billion total net assessed valuation of taxable property within the City at the start of fiscal year 2022-23, \$311.8 billion (94.9%) represents secured valuations and \$16.7 billion (5.1%) represents unsecured valuations. Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIII A of the State Constitution added by Proposition 13 in 1978, property must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor-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. 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 2022-23 valuation of property assessed by the State Board of Equalization is \$4.1 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. 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.

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 in fiscal year 2022-23 is approximately \$328.5 billion, compared to \$312 billion in fiscal year 2021-22. 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, 2022, no single assessee owned more than 0.817% of the total taxable assessed value in the City. 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. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City

calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2022-23 is approximately \$[9.85] billion, based on a net total assessed valuation of approximately \$328.5 billion. As of October 1, 2022, the City had outstanding approximately \$2.62 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.80% of the net assessed valuation for fiscal year 2022-23. 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 1, 2022, the City had voter approval to issue up to approximately \$1.5 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – 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 recent adopted 10-year capital plan identifies \$38 billion of capital needs for all City departments, including \$4.6 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.

As described above, the City currently limits the total amount of new office construction that can be approved each year to 950,000 square feet, pursuant to Proposition M. Of this, 75,000 square feet is reserved for projects between 25,000 and 50,000 square feet (called the "small cap"), while 875,000 square feet is reserved for office buildings greater than 50,000 square feet (called the "large cap"). Any office development less than 25,000 square feet is exempt from the cap. If the City's Planning Commission does not allocate the full cap amount in one year, the remaining square footage accrues to future years. Proposition E links the amount of office construction allowed in the large cap category to the amount of affordable housing that began construction in the prior calendar year. More specifically, the 875,000-square-foot large cap would be reduced by the same percentage that the City is falling short on meeting its affordable housing goals. For example, if the City produces only 50% of its affordable housing goal one year, then the City can only approve 50% of the 875,000 square feet in the large cap category the following year.

Proposition E also limits the amount of large cap office space that may be allocated in the Central SoMa neighborhood to 6 million square feet until at least 15,000 new housing units are produced in the larger SoMa area.

Office Vacancies. On October 19, 2022, the Chief Economist of the City’s Office of the Controller released a memorandum regarding the impact of remote work on commercial property and tax revenue in the City. According to the memorandum, the City has experienced the largest increase in office vacancy among major office markets in the United States, from around 5% before the COVID-19 pandemic, to 24% in the third quarter of 2022. 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 been expired and not renewed. In this case, the property’s income declines until a new lease is signed. In San Francisco, sublease vacancies were a significant percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate has declined, while the direct vacancy rate has continued to rise. If direct vacancy rates continue to rise, the income and market values of office buildings in the City are likely to be negatively affected.

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. See Appendix A – “CITY AND COUNTY OF SAN ORGANIZATION AND FINANCES – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies” and “– Constitutional and Statutory Limitations on Taxes and Expenditures – Article XIII A of the California Constitution.”

On November 16, 2022, the Controller’s Office provided a presentation to the City’s Board concerning potential property tax implications relating to the continuation of significant remote work and office property vacancy rates. The presentation contained projected property tax losses ranging from approximately \$80 million to \$150 million by 2026, with a potential widening to \$100 million to \$200 million by 2028, if conditions do not improve. The City cannot predict the actual level of revenue losses.

See Appendix A – “CITY AND COUNTY OF SAN ORGANIZATION AND FINANCES – Budgetary Risks – Office Vacancy in San Francisco.”

City Financial Challenges

The following discussion highlights certain challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, “Seismic Risks” and “Climate Change, Risk of Sea Level Rise and Flooding Damage” below). While the City had strong economic and financial performance during the recovery from the great recession and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several financial challenges and risks described below. In particular, the City continues to face significant adverse financial and budgetary challenges due to the COVID-19 pandemic. See “Public Health Emergencies” below and Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges” attached hereto.

The COVID-19 pandemic resulted in general negative effects on the City’s economy which materially adversely impacted the City’s tax revenues and increased expenses due to public health responses. These decreases occurred in nearly every category of revenue except intergovernmental revenue and property taxes; most significantly, the City experienced the greatest decline in its “other local taxes,” which includes hotel and sales taxes. See Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges” and “– Property Taxation – Tax Levy and Collection” and “Public Health Emergencies” below. Further, the Revenue Letter (as defined in Appendix A) prepared by the City Controller dated June 9, 2022 that accompanied the City’s most recent budget for fiscal year 2022-23 and fiscal year 2023-24 provides that the City faces several key financial risks in the coming fiscal years, including (1) significant uncertainty as to whether return to offices will play out as expected in the coming two fiscal

years and whether the local hospitality and convention industries will recover at the pace underpinning the City's tax revenue projections, (2) the potential for a recession due in part to aggressive interest rate hikes by the Federal Reserve, (3) uncertainty in the future of Laguna Honda Hospital (see Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Laguna Honda Hospital Potential Loss of Federal Funding"), (4) uncertainty in the timing and magnitude of federal revenue reimbursements in connection with public health emergency response costs incurred during the pandemic, and (5) a heavy reliance on one-time sources (including federal reimbursements, reserves and fund balance) to balance the budget could leave structural budget challenges in future fiscal years. See Appendix A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Budget – Other Budget Updates: Fiscal Year 2022-23 and 2023-24 Revenue Letter" and "– Budgetary Risks."

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 \$38 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 \$7.5 billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

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

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. 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 – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2022."

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 estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than \$82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City’s economy, tax receipts, infrastructure and residential and business real property values.

Earthquake Safety Implementation Plan (ESIP). 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 to all of San Francisco’s buildings and recommended a 30-year plan for action. As a result of this plan, the City has mandated the retrofit of nearly 5,000 soft-story buildings housing over 111,000 residents by September 2021. [As of July 6, 2021 approximately 88% of the buildings have been brought into compliance (the percent of buildings in compliance may decline after the September 2021 deadline due to the timing of completion of improvements). Future tasks will address the seismic vulnerability of older nonductile concrete buildings, which are at high risk of severe damage or collapse in an earthquake.] [Update?]

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 indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as \$3 billion, with another \$2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately \$1.6 billion in Port assets and \$2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See “Climate Change, Risk of Sea Level Rise and Flooding Damage” below. See also Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Authorized but Unissued City GO Bonds.”

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

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and

engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year. [All of these tasks are currently underway.] [Update?] In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. San Francisco was the first jurisdiction to test this Statewide program. The City's Disaster Recovery Taskforce had its kickoff meeting in February 2020 to evaluate plans for development of a Disaster Recovery Framework and Downtown Resilience Plan, following several months of groundwork by a consultant team. 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 will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015

average high tide. To implement this Plan, the Mayor’s Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and 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 indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. The City has 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 states 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 argues that without a far-sighted, nine-county response, the region’s economic and transportation systems could be undermined along with the environment. 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 started the process of planning to fortify the Port’s Seawall from sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and consideration of financing options. The City expects short-term upgrades to cost over \$650 million and long-term upgrades to cost more than \$5 billion. In November 2018, voters of the City 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 suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City’s control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In

particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. [Update?] While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City's Systems Technology and required a response action to mitigate the consequences. 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, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

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

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

attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020 the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 has had and continues to have 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.” The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Mayor of the City, the Governor of the State and the President of the United States.

While COVID-19 case rates have significantly declined, vaccination rates have increased, certain emergency orders have been lifted, and the national and local economy has been improving, the COVID-19 pandemic is ongoing, and its duration and severity and economic effects are uncertain in many respects. Uncertain too are the actions that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the City’s operations and finances and the economy, real estate market and development within the City is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. The City has undertaken modifications to its standard budget approval process calendar and has been issuing and plans to issue periodic updates on the Controller’s website. Certain reports providing preliminary information regarding the impact of the COVID-19 pandemic are described herein under Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – City Financial Challenges” and “– City Budget.” 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 to enforce any obligation of the City, without the bankruptcy court’s permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the City may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the City may be able to eliminate the obligation of the City to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any City bankruptcy proceeding, the fact of a City bankruptcy proceeding, could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if the City were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or

governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, the City is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the City's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the City for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

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

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

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

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

State Law Limitations on Appropriations

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

Other Events

Seismic events, wildfires, drought, tsunamis, 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 ability to provide municipal services.

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

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

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

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting numerous deaths and over \$16 billion in property damage) and Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres). Spurred by findings that 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 shut offs during periods of extreme fire danger (i.e. high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. In 2019 and 2020, parts of the City experienced several black out days as a result of PG&E’s wildfire prevention strategy. Future shut offs are expected to continue and it is uncertain what effects future PG&E shut offs will have on the local economy.

In 2020, 2021 and 2022, 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.

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

Tax-Exempt Bonds

[To be updated by Co-Bond Counsel.]

Tax Exemption. The issuance and delivery of the Tax-Exempt Bonds is subject to the opinion of Co-Bond Counsel to the effect that, subject to the assumptions, conditions and limitations described below, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes. Co-Bond Counsel is further of the opinion that interest on the Tax-Exempt Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax. The issuance and delivery of the Tax-Exempt Bonds is also subject to the delivery of the opinion of Co-Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Tax-Exempt Bonds is exempt from personal income taxes of the State of California. The form of Co-Bond Counsel’s opinions is set forth in Appendix F. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Tax-Exempt Bonds pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Bonds and will assume continuing compliance by the City with the provisions of the Resolutions subsequent to the issuance of the Tax-Exempt Bonds. The Resolutions contain covenants by the City with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Bonds are to be invested, the periodic calculation and payment to the United States Treasury of any arbitrage profit from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Tax-Exempt Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Bonds.

Further, certain requirements and procedures contained or referred to in the various documents pertaining to the Tax-Exempt Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Co-Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Tax-Exempt Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval or in reliance upon the advice of counsel other than Co-Bond Counsel with respect to the exclusion from gross income for federal income tax purposes of the interest on the Tax-Exempt Bonds.

Co-Bond Counsel’s opinion is not a guarantee of a result, but represents their legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Co-Bond Counsel, and Co-Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Tax-Exempt Bonds is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Tax-Exempt Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Tax-Exempt Bonds, the City may have different or conflicting

interests from the owners of the Tax-Exempt Bonds. Public awareness of any future audit of the Tax-Exempt Bonds could adversely affect the value and liquidity of the Tax-Exempt Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should be aware that the ownership of tax-exempt obligations such as the Tax-Exempt Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Tax-Exempt Bonds. The initial public offering price of certain Tax-Exempt Bonds (the “Discount Tax-Exempt Bonds”) may be less than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Tax-Exempt Bond (assuming that a substantial amount of the Discount Tax-Exempt Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Tax-Exempt Bond. A portion of such original issue discount allocable to the holding period of such Discount Tax-Exempt Bond by the initial purchaser will, upon the disposition of such Discount Tax-Exempt Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Tax-Exempt Bonds described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Tax-Exempt Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Tax-Exempt Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Tax-Exempt Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Tax-Exempt Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Tax-Exempt Bond was held) is includable in gross income.

Owners of Discount Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Tax-Exempt Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Tax-Exempt Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Tax-Exempt Bonds (the “Premium Tax-Exempt Bonds”) may be greater than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Tax-Exempt Bond (assuming that a substantial amount of the Premium Tax-Exempt Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Tax-Exempt Bonds. The basis for federal income tax purposes of a Premium Tax-Exempt Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Tax-Exempt Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Tax-Exempt Bonds.

Taxable Bonds

State Income Tax. In the opinion of Co-Bond Counsel, under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Except as set forth in the preceding sentence, Co-Bond Counsel will provide no opinion in connection with the issuance or offering of the Taxable Bonds with regard to any federal, state or local tax consequence of the ownership or disposition of or the receipt or accrual of interest on any Taxable Bond. The form of Co-Bond Counsel’s opinions is set forth in Appendix F. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

Federal Income Tax Considerations. The following is a general summary of certain federal income tax consequences of the purchase and ownership of the Taxable Bonds. The discussion is based upon the Internal Revenue Code of 1986 (the “Code”), United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive effect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect.

Prospective investors should note that no rulings have been or are expected to be sought from the Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the

taxation of the Taxable Bonds under local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Taxable Bonds pursuant to this offering for the issue price that is applicable to such Taxable Bonds and who will hold their Taxable Bonds as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Taxable Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable Bonds (including their status as U.S. Holders or Non-U.S. Holders).

ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS.

U.S. Holders

Interest on the Taxable Bonds. Co-Bond Counsel has rendered no opinion regarding the exclusion of interest on the Taxable Bonds from gross income for federal income tax purposes. The City has taken no action to cause, and does not intend, interest on the Taxable Bonds to be excluded from the gross income of the owners thereof for federal income tax purposes. The City intends to treat the Taxable Bonds as debt instruments for all federal income tax purposes, including any applicable reporting requirements under the Code. THE CITY EXPECTS THAT THE INTEREST PAID ON A TAXABLE BOND GENERALLY WILL BE INCLUDED IN THE GROSS INCOME OF THE OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES WHEN RECEIVED OR ACCRUED, DEPENDING UPON THE TAX ACCOUNTING METHOD OF THAT OWNER.

Payment of Stated Interest on the Taxable Bonds. Subject to the rules relating to “acquisition discount” discussed below, the stated interest paid on the Taxable Bonds is included in the gross income, as defined in Section 61 of the Code, of the owners thereof and is subject to United States federal income taxation when received or accrued, depending on the tax accounting method used by the owners thereof.

Acquisition Discount. Special rules apply to certain government obligations, such as the Taxable Bonds, that have a fixed maturity date not more than one year from their date of issuance (“short-term government obligations”). Owners of Taxable Bonds that report income for federal income tax purposes on an accrual method and certain other Taxable Bond owners, including banks, regulated investment companies and dealers in securities, are required to include acquisition discount on short-term government obligations in income on a straight-line basis (based on the number of days in a taxable year in which the obligation is held), unless an election is made to accrue the acquisition discount according to a constant-yield method based on daily compounding. The amount of “acquisition discount” on a Taxable Bond is equal to the excess of the stated redemption price at maturity of the Taxable Bond over the owner’s basis in the Taxable Bond. The “stated redemption price at maturity” of a Taxable Bond is equal to the sum of its principal amount plus all other payments scheduled to be made on the Taxable Bond. An owner of a Taxable Bond subject to this

reporting rule will increase such owner's basis in the Taxable Bond by the amount of acquisition discount included in such owner's income with respect to the Taxable Bond.

An owner of a Taxable Bond who is not required to include acquisition discount in income currently (*e.g.*, an individual who is a cash-method taxpayer) may nonetheless elect to do so. In the case of such owner who does not elect to do so, any gain realized upon the sale or other disposition of the Taxable Bond (including the redemption thereof at maturity) will be characterized as ordinary income to the extent of the owner's ratable share of the acquisition discount (accrued on a straight-line basis or, if elected, according to a constant-yield method based on daily compounding, through the date of sale or other disposition). In addition, owners of Taxable Bonds who are not required, and do not elect, to include acquisition discount in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Taxable Bond in an amount not exceeding the accrued acquisition discount with respect to the Taxable Bond until the accrued acquisition discount is realized. Owners of Taxable Bonds are urged to consult their own tax advisors regarding the acquisition discount rules and their potential application to the Taxable Bonds.

Sale or Other Taxable Disposition of a Taxable Bond. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable Bond, which will be taxed in the manner described above), and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable Bond (generally, the purchase price paid by the U.S. Holder for the Taxable Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Taxable Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. Holder's holding period for the Taxable Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Medicare Tax. Certain non-corporate U.S. Holders of Taxable Bonds are subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals is between \$200,000 and \$250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Taxable Bonds and its net gains from the disposition of the Taxable Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate, or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Taxable Bonds.

Backup Withholding. Payments on the Taxable Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Taxable Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup

withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the current rate of 30% (subject to change) on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business.

The foregoing notwithstanding, but subject to the discussions below under the headings "Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")," and assuming the interest income of the Non-U.S. Holder on the Taxable Bonds (including acquisition discount) is not treated as effectively connected income within the meaning of Section 864 of the Code, such interest (including acquisition discount) will not be subject to 30% withholding, or any lower rate specified in an income tax treaty, if such income is treated as portfolio interest. Interest (including acquisition discount) will be treated as portfolio interest if: (i) the Non-U.S. Holder provides a statement to the payor certifying, under penalties of perjury, that the Non-U.S. Holder is not a United States person and providing the name and address of such Non-U.S. Holder; (ii) such interest (including acquisition discount) is treated as not effectively connected with a United States trade or business of the Non-U.S. Holder; (iii) such interest payments (including acquisition discount) are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Taxable Bonds (including acquisition discount) is not deemed contingent interest within the meaning of the portfolio debt provision; (v) the Non-U.S. Holder is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) the Non-U.S. Holder is not a bank receiving interest on the Taxable Bonds (including acquisition discount) pursuant to a loan agreement entered into in the ordinary course of the Non-U.S. Holder's banking trade or business.

Assuming payments on the Taxable Bonds are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no withholding under Section 1441 and 1442 of the Code and no backup withholding under Section 3406 of the Code is required with respect to an owner or intermediary who has provided a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Backup Withholding," or an exemption is otherwise established.

Subject to the discussions below under the headings "Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")," any capital gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement or other taxable disposition of a Taxable Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement or other disposition and certain other conditions are met.

Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")," under current U.S. Treasury Regulations, payments of principal and interest on any Taxable Bonds to a Non-U.S. Holder will not be subject to any backup withholding tax requirements if the Non-U.S. Holder of the Taxable Bond or a financial institution holding the Taxable Bond on behalf of the Non-U.S. Holder in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a Non-U.S. Holder provides the certification, the certification must give the name and address of such Non-U.S. Holder, state that such Non-U.S. Holder is not a United States person, or, in the case of an individual, that such Non-U.S. Holder

is neither a citizen nor a resident of the United States, and the Non-U.S. Holder must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act (“FATCA”). Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Taxable Bonds and sales proceeds of Taxable Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and will apply to “foreign passthru payments” but no earlier than two years after the date of publication of final regulations defining the term “foreign passthru payment.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Taxable Bonds in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Taxable Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

Effect of Defeasance. Pursuant to the Authorizing Resolution, the Taxable Bonds are subject to legal defeasance without the consent of the Owners of the Taxable Bonds. Defeasance of any Taxable Bond may be treated as a taxable constructive exchange of that Taxable Bond, in which event the holder generally would recognize gain or loss for federal income tax purposes equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as described above) and the holder’s adjusted tax basis in such Taxable Bond (described above).

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 Norton Rose Fulbright US LLP, Los Angeles, California, and Alexis S. M. Chiu, Esq., San Francisco, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel (the “Bond Opinions”), dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds. The proposed form of the Bond Opinions is set forth in Appendix F hereto.

The Bond Opinions will speak only as of their date, and subsequent distributions of the Bond Opinions 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. The opinions contained in the Bond Opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, the opinions contained in the Bond Opinions represent legal judgment of Co-Bond Counsel based upon their review of existing law that they deem relevant to such opinions and in reliance upon the certifications and opinions referenced above.

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

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

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

PROFESSIONALS INVOLVED IN THE OFFERING

Fieldman, Rolapp & Associates, Inc., Irvine, California, 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 not independently verified any of the data contained herein and has not conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume, no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Bond Counsel and Co-Disclosure 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

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 purchasers of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2022-23, which is due not later than March 26, 2024, 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") maintained by 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 purchasers of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

On March 6, 2018, Moody’s Investors Service, Inc. (“Moody’s”) upgraded certain of the City and County of San Francisco Finance Corporation lease-backed obligations to “Aa1” from “Aa2.” The City timely filed notice of the upgrade with EMMA, but inadvertently did not link the notice to all relevant CUSIP numbers. The City has taken action to link such information to the applicable CUSIP numbers.

The Annual Report for fiscal year 2016-17, which was timely prepared, provided investors a link to the City’s 2016-17 audited financial statements (“2016-17 Audited Financial Statements”) on the City’s website. However, the 2016-17 Audited Financial Statements were not posted on EMMA. The City subsequently filed the 2016-17 Audited Financial Statements and a notice of such late filing on EMMA.

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

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City’s investor information website located at <https://sfcontroller.org/continuing-secondary-market-disclosure>.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), S&P Global Ratings (“S&P”), and Fitch Ratings (“Fitch”), have assigned municipal bond ratings of “[____],” “[____],” and “[____],” respectively, to the Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody’s, at www.moody.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 [____], 2023, as provided in the Official Notice of Sale, dated [____], 2023 (the “Official Notice of Sale”). The Official Notice of Sale provides that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The purchaser will represent to the City that the Bonds have been reoffered to the public at the prices or yields to be stated on pages immediately following the cover page hereof, and the City will take no responsibility for the accuracy of those prices or yields. The purchaser may offer and sell Bonds to certain dealers and others at yields that differ from those that will be stated on the pages

immediately following the cover hereof. The offering prices or yields may be changed from time to time by the purchaser.

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 owners and beneficial owners of any of the Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

APPENDIX A

**CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES**

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ _____
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS

Consisting of

§ _____
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(HEALTH AND RECOVERY,
2020)
SERIES 2023A

§ _____
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(EMBARCADERO SEAWALL
EARTHQUAKE SAFETY,
2018)
SERIES 2023B

§ _____
[TAX-EXEMPT/TAXABLE]
GENERAL OBLIGATION
BONDS
(SOCIAL BONDS –
AFFORDABLE HOUSING,
2019)
SERIES 2023C

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 City authorized the issuance of the 2023A Bonds referenced above by (i) Resolution No. 234-21, adopted by the Board of Supervisors of the City on May 18, 2021, and duly approved by the Mayor of the City on May 28, 2021, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023A Resolutions”). The City authorized the issuance of the 2023B Bonds referenced above by (i) Resolution No. 323-19, adopted by the Board of Supervisors of the City on July 16, 2019, and duly approved by the Mayor of the City on July 26, 2019, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023B Resolutions”). The City authorized the issuance of the 2023C Bonds referenced above by (i) Resolution No. 448-20, adopted by the Board of Supervisors of the City on October 6, 2020, and duly approved by the Mayor of the City on October 9, 2020, and (ii) Resolution No. [____], adopted by the Board of Supervisors of the City on [____], and duly approved by the Mayor of the City on [____] (together, the “2023C Resolutions,” and with the 2023A Resolutions and the 2023B Resolutions, the “Resolutions”). The City covenants and agrees as follows:

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

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

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

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

“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 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.

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 2022-23 Fiscal Year (which is due not later than March 26, 2024), 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: [____], 2023.

CITY AND COUNTY OF SAN FRANCISCO

Benjamin Rosenfield
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 GENERAL
OBLIGATIONS BONDS consisting of:

\$_____ [TAX-EXEMPT/TAXABLE] GENERAL OBLIGATION
BONDS (HEALTH AND RECOVERY, 2020), SERIES 2023A

\$_____ [TAX-EXEMPT/TAXABLE] GENERAL OBLIGATION
BONDS (EMBARCADERO SEAWALL EARTHQUAKE SAFETY, 2018),
SERIES 2023B

\$_____ [TAX-EXEMPT/TAXABLE] GENERAL OBLIGATION
BONDS (SOCIAL BONDS – AFFORDABLE HOUSING), SERIES 2023C

Date of Issuance: [_____] , 2023

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 [_____] , 2023. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

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

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

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

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Date of Delivery]

[\$[Principal Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(_____),
SERIES 2023__

PURCHASE CONTRACT

[Sale Date]

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

Ladies and Gentlemen:

The undersigned [Representative] (the “Representative”), on its own behalf and as representative of _____, _____, and _____ (each, an “Underwriter,” and collectively, the “Underwriters”), offers to enter into the following agreement with the City and County of San Francisco (“City”) to purchase the above-captioned bonds (the “Bonds”), subject to the terms and conditions herein. Upon the acceptance of this offer by the City, this Purchase Contract (the “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 12 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 13(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, Sale and Delivery. 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 \$[Principal Amount] aggregate principal amount of Bonds.

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of prior prepayment, and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The purchase price for the Bonds shall be \$ _____, calculated as the aggregate principal amount of the Bonds in the amount of \$[Principal

Amount].00, [plus premium in the amount of \$ _____,] less an aggregate underwriters' discount in the amount of \$ _____.

The Bonds will be delivered to the Underwriters at 8:30 a.m., California time, on _____, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "Closing Date" or the "Closing").

Interest with respect to the Bonds will be exempt from federal income taxation and from State of California personal income taxation, all as further described in 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 (the "Official Statement").

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated _____ (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 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Bonds depending on such matters.

The City shall provide the Underwriters, within 7 business days after the date hereof (but in any event at least 2 business days prior to the Closing Date) with a reasonable number of copies of the Official Statement 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), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the offering and sale of the Bonds. The City authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date, the Official Statement with the Municipal Securities Rulemaking Board Rule G-32 ("MSRB"), or its designees. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters in compliance with this Section.

Section 3. The Resolutions. The Bonds shall be as described in and shall be issued and secured under the provisions of the following resolutions (collectively, referred to herein as, the "Resolutions"):

- Resolution No. ____ ("Resolution ____"), adopted by the Board of Supervisors of the City on _____, and approved by the Mayor of the City on _____; and
- Resolution No. _____, adopted by the Board of Supervisors of the City on _____, and approved by the Mayor of the City on _____.

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

Section 5. Purpose of the Bonds and the City Documents. The Bonds are being issued for the purpose of providing funds to (a) _____, and (b) pay costs related to the issuance of the Bonds.

This Purchase Contract and the Continuing Disclosure Certificate executed by the City (the “Continuing Disclosure Certificate”) are sometimes referred to in this Purchase Contract as the “City Documents.”

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

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

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

(d) If the Official Statement is supplemented or amended, 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 of its date and as of the Closing Date as so supplemented or amended (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

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

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending, with service of process having been accomplished, or to the best knowledge of the City after due inquiry, threatened by a prospective party or their counsel in writing addressed to the City, (i) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (ii) in any way contesting, affecting or seeking to prohibit, restrain or enjoin the issuance of any of the Bonds, or the payment of

the principal and interest with respect to the Bonds, or the application of the proceeds of the Bonds; (iii) in any way contesting or affecting the validity of the Bonds or the tax-exempt status of the interest on the Bonds, the Resolutions, or the City Documents, or contesting the powers of the City or any authority for the issuance of the Bonds, the approval of the Resolutions or the execution and delivery by the City of the City Documents or the Official Statement; (iv) which would likely result in any material adverse change relating to the business, operations or financial condition of the City or the City's ability to levy and collect the *ad valorem* property taxes securing the Bonds, or otherwise satisfy its payment obligations with respect to the Bonds; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

(k) The financial statements of the City for the fiscal year ended June 30, ____, 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 the Continuing Disclosure Certificate to provide certain annual financial information and notices of the occurrence of certain events, if material, pursuant to paragraph (b)(5) of Rule 15c2-12. An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement, in the last five years, the City has not failed to comply in any material respect with its continuing disclosure obligations under Rule 15c2-12, as described in the Official Statement.

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

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

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

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

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

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

The Underwriters intend to make an initial bona fide public offering of the Bonds at a price or prices described in Schedule I hereto; provided, however, the Underwriters reserve the right to change such initial public offering prices as the Underwriters deem necessary or desirable, in their sole discretion, in connection with the marketing of the Bonds (but in all cases subject to the requirements of Section 9 hereof), and may offer and sell the Bonds to certain dealers, unit

investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters at prices lower than the public offering prices stated on the cover of the Official Statement or at yields greater than the yields set forth therein (but in all cases subject to the requirements of Section 9 hereof). 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 agree that it will comply with applicable laws and regulations, including without limitation Rule 15c2-12, in connection with the offering and sale of the Bonds.

Section 9. Establishment of Issue Price.

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

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

(c) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

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

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below),

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

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

(d) The City acknowledges that, in making the representations set forth in this subsection, the Representative will rely on (i) the agreement of each underwriter to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement to adhere to the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(e) The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

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

(ii) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

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

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

Section 10. Closing. At the Closing, the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 11(g); 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. The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Physical delivery of the Bonds shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be made available to the Underwriters for inspection not less than 2 business days prior to the Closing.

Section 11. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of the obligations to be performed hereunder and under such documents

and instruments to be delivered at or prior to the Closing, and the Underwriters' obligations under this Purchase Contract are and shall also be subject to the following conditions:

(a) the Official Statement shall not have been supplemented or amended, except as may have been agreed to in writing by the Representative, and the City shall have duly adopted or approved, and there shall be in full force and effect such additional resolutions or agreements as shall, in the opinion of Norton Rose Fulbright US LLP and Alexis S. M. Chiu, Esq. ("Co-Bond Counsel"), be necessary in connection with the transactions contemplated hereby;

(b) 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;

(c) at the time of the Closing, the Resolutions and the City Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(d) no litigation shall be threatened or pending in any court (i) to restrain or enjoin the issuance or delivery of the Bonds or the payment, collection or application of the proceeds thereof or any other monies assigned, pledged or to be pledged under the Resolutions, or (ii) in any way questioning or affecting the validity of the Bonds or any provisions of the Resolutions or any of the City Documents, or any proceedings taken by the City with respect to the foregoing, or (iii) questioning the City's creation, organization or existence or the titles to office of any of its officers;

(e) there shall not have occurred any change or any development involving a prospective change, in the condition, financial or otherwise, from that set forth in the Official Statement that in the reasonable judgment of the Representative, is material and adverse and that makes it, in the reasonable judgment of the Representative, impracticable to market the Bonds on the terms, at the prices and in the manner contemplated in the Official Statement;

(f) the City shall perform or have performed all obligations required under or specified in this Purchase Contract and the City Documents and the Official Statement to be performed at or prior to the Closing Date;

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

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

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

(3) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as **Exhibit B**;

(4) an opinion of the City Attorney of the City addressed to the City and the Underwriters substantially in the form attached hereto as **Exhibit C**;

(5) unqualified opinions of Co-Bond Counsel, in substantially the form set forth in Appendix F to the Official Statement;

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

(7) Negative Assurance Letters from Co-Disclosure Counsel, addressed to the City, with a reliance letter to the Representative and substantially in the forms attached hereto as **Exhibit E**;

(8) a negative assurance letter of _____, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

(9) defeasance opinions of Co-Bond Counsel;

(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., Standard & Poor's Ratings Services and Fitch, Inc. have assigned ratings to the Bonds set forth in the Preliminary Official Statement;

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

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

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance satisfactory to the Representative and Underwriters' Counsel (provided that the letter described in subsection (g)(7) above shall be deemed satisfactory for purposes of this paragraph). If the City is unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds are terminated for any reason permitted by this Purchase

Contract, this Purchase Contract shall terminate and neither the Underwriters nor the City shall be under further obligations hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 13 of this Purchase Contract shall continue in full force and effect.

Section 12. Termination.

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

(i) any event shall have occurred or any fact or condition shall have become known which, in the sole reasonable judgment of the Underwriters following consultation with the City, Co-Bond Counsel and Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth LLP (“Co-Disclosure Counsel”), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect; or

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

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

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

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

(i) there shall have occurred any materially adverse change in the affairs or financial condition of the City, except for changes which the Official Statement discloses are expected to occur;

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

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

(iv) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the California legislature or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to the California legislature or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived pursuant to the Resolutions which may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Bonds) or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Representative, materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

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

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

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

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

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

Section 13. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 13(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 Fieldman, Rolapp & Associates, Inc. (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 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.

(b) The Underwriters shall pay (from the expense component of the underwriting discount) all expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the costs of printing the Blue

Sky memorandum used by the Underwriters, (iii) all out-of-pocket disbursements and expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees of the CUSIP Service Bureau for the assignment of CUSIP numbers; (iv) transportation, lodging, and meals for the City's employees and representatives; and (iv) all other expenses incurred by the Underwriters in connection with the offering and distribution of the Bonds, including the fees and disbursements of Underwriters' Counsel and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters (by way of paying the expense component of the underwriting discount) for such fees. The City acknowledges that certain expenses included in the expense component of the Underwriter's discount are based on estimates.

Section 14. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative:

Section 15. 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 16. Mandatory City Contracting Provisions. The provisions set forth in **Exhibit A**, attached hereto, are incorporated herein by this reference.

Section 17. Invalid or Unenforceable Provisions. If 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 18. 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 19. 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 20. Arm's Length Transaction. The City acknowledges that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the City and the Underwriters, (ii) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the City and may have financial and other interests that differ from those of the City, irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on other matters; and (iii) the City has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 21. 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 22. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 23. 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,

[REPRESENTATIVE], as Representative of the Underwriters named herein

By: _____
[Name]
[Title]

CITY AND COUNTY OF SAN FRANCISCO

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

ACCEPTED at __ p.m. Pacific Time this __th day of _____, 2023

APPROVED AS TO FORM:

DAVID CHIU,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

SCHEDULE I

**[\$[Principal Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(_____),
SERIES 2023__**

MATURITY SCHEDULE

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

C Priced to par call on _____.

REDEMPTION PROVISIONS

Optional Redemption of the Bonds

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

EXHIBIT A

CITY CONTRACTING REQUIREMENTS

Each underwriter shall comply with the following provisions of this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this exhibit shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code § 21.35, including the enforcement and penalty provisions, is incorporated

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

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

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

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

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

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

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

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

EXHIBIT B

FORM OF CERTIFICATE OF THE CITY

**[\$[Principal Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(_____),
SERIES 2023 ____**

[Closing Date]

The undersigned Mayor, Controller and Treasurer, respectively, of the City and County of San Francisco (“City”), acting in their official capacities, hereby certify as follows in connection with the issuance, sale and delivery of the general obligation bonds captioned above (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 (“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 Continuing Disclosure Certificate, and the Purchase Contract, dated [Sale Date] (the “Purchase Contract”), executed by the City and [Representative] (the “Representative”), on its own behalf and as representative of the Underwriters. The Resolutions, the Continuing Disclosure Certificate, and the Purchase Contract are sometimes referred to in this Certificate as the “City Documents.” Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

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

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

4. The City is not in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any loan agreement, note, ordinance, resolution, agreement or other instrument to which the City is party or otherwise subject, which breach or default would in any way materially and adversely affect the City Documents or the performance of any of the City’s obligations thereunder. No event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default. The 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.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands as of the first date set forth above.

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London N. Breed
Mayor

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Benjamin Rosenfield
Controller

CITY AND COUNTY OF SAN FRANCISCO

By: _____
José Cisneros
Treasurer

EXHIBIT C

FORM OF OPINION OF CITY ATTORNEY

[Closing Date]

City and County of San Francisco
San Francisco, California

[Representative],
as representative of the Underwriters named herein
San Francisco, California

Re: \$[Principal Amount] City and County of San Francisco General
Obligation Bonds (_____), Series 2023 ____

Ladies and Gentlemen:

This office has acted as counsel to the City and County of San Francisco (“City”) in connection with the issuance and sale on [Closing Date] of its \$[Principal Amount] City and County of San Francisco General Obligation Bonds, Series 2023 ____ (“Bonds”) This letter is addressed to you pursuant to Section 11(g)(4) of the Purchase Contract, dated [Sale Date] (“Purchase Contract”), between the City and County of San Francisco and [Representative] (the “Representative”), on its own behalf and as representative of _____, _____ and _____ (together with the Representative, the “Underwriters”), providing for the purchase of the Bonds. All capitalized terms used but not defined herein shall have the meanings given to such terms in the Resolutions (defined below) and if not defined therein, then as such terms are defined in the Purchase Contract.

In such capacity, we have examined the proceedings taken by the City in connection with the authorization and issuance of the Bonds and such other documents as we have deemed necessary to render this opinion, including Resolution ____, adopted by the Board of Supervisors on _____, and signed by the Mayor on _____, and Resolution No. ____, adopted by the Board of Supervisors of the City on _____, and approved by the Mayor of the City on _____ (together, the “Resolutions”).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution

and delivery thereof by, and validity against, any parties other than the City. Furthermore, we have assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Resolutions, the Purchase Contract, and the Continuing Disclosure Certificate, dated the date hereof (collectively, the “Legal Documents” herein), and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities and counties in the State of California (“State”). We express no opinion with respect to any indemnification, contribution, penalty, and choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The City is a chartered city and county, duly organized and existing under its Charter and the Constitution and laws of the State.

2. The City has full legal right, power and authority to approve and enter into all applicable agreements, and to perform its obligations, as referred to in the Resolutions, adopted at a duly noticed and held meeting of the Board of Supervisors at which a quorum was present and acting throughout.

3. The City has authorized the execution and delivery of, and the due performance of its obligations under the Legal Documents and the Bonds, and assuming due authorization, execution and delivery by the other parties thereto, the Legal Documents constitute the legal, valid and binding agreements of the City.

4. The execution and delivery of the Legal Documents, the consummation of the transactions therein contemplated and the delivery by the City of the Bonds, and compliance with the terms thereof, do not materially conflict with or constitute a material violation or material breach of or default (with due notice or the passage of time or both) under any applicable State law or administrative rule or regulation, or any applicable State court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, which conflict, violation, breach or default would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Legal Documents and the Bonds.

5. To the best of my knowledge after reasonable investigation, there is (i) no litigation pending or threatened concerning the validity of the Bonds, or the City's ability to receive ad valorem taxes, and (ii) no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any State court, governmental agency, public board or body, pending or, to the knowledge of the City, threatened against the City or its properties or operations (a) seeking to restrain or enjoin the issuance, sale, execution or delivery of any of the Bonds, (b) in any way contesting or affecting the validity or enforceability of any of the Bonds, the Legal Documents or

the proceedings of the City taken concerning the authorization, issuance or sale of any of the Bonds or (c) which, if determined adversely to the City or its interests, would have a material adverse effect on the consummation of the transactions contemplated by or the validity of the Legal Documents or the Bonds.

6. All approvals, consents, authorizations, certifications and other orders of any State or federal governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which would constitute conditions precedent to or the failure to obtain which would materially adversely affect the performance by the City of its obligations under the Legal Documents or the Bonds, have been duly obtained and no further consent, approval, authorization or other action or filing with or by any governmental or regulatory authority having jurisdiction over the City is required for the issue and sale of the Bonds or the consummation by the City of the other transactions described in the Legal Documents or the Bonds.

This letter is furnished solely for the benefit of the addressees hereof. This letter shall not be circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by anyone other than the above-addressees. Other than the City, no attorney-client relationship has existed or exists between this office and any other party.

EXHIBIT D

FORM OF SUPPLEMENTAL OPINIONS OF CO-BOND COUNSEL

[Closing Date]

[TO COME]

EXHIBIT E
FORM OF NEGATIVE ASSURANCE LETTER
OF HAWKINS DELAFIELD & WOOD LLP

[Closing Date]

[TO COME]

**FORM OF NEGATIVE ASSURANCE LETTER
OF STRADLING, YOCCA, CARLSON & RAUTH LLP**

[Closing Date]

[TO COME]

EXHIBIT F

**FORM OF ISSUE PRICE CERTIFICATE
(Representative)**

**[\$[Principal Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(_____),
SERIES 2023 ___**

The undersigned [Representative] (the “Representative”), on behalf of itself and _____, _____ and _____ (collectively, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the 10% Test Maturities.*** As of the date of this certificate, for each Maturity of the Bonds listed as a “10% Test Maturity” in Schedule A attached hereto, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A attached hereto.

2. ***Pricing Wire or Equivalent Communication.*** A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

3. ***Defined Terms.***

(a) *10% Test Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “10% Test Maturities.”

(b) *City* means the City and County of San Francisco.

(c) *Hold-the-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Price Maturities.”

(d) *Holding Period* means, with respect to a Hold-the-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which at least 10% of such Hold-the-Price Maturity was sold to the Public at prices that are no higher than or yields that are no lower than the Initial Offering Price for such Hold-the-Price Maturity.

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

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

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Sale Date].

(i) *Tax Compliance Certificate* means the Tax Compliance Certificate, dated [Closing Date], executed and delivered by the City in connection with the issuance of the Bonds.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Norton Rose Fulbright US LLP and Alexis S. M. Chiu, Esq., as Co-Bond Counsel to the City, in connection with rendering their respective opinions that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038, and other federal income tax advice that it may give to the City from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

[REPRESENTATIVE], as Representative of the
Underwriting Group

By _____
Authorized Representative

Dated: [Closing Date]

SCHEDULE A

SALE PRICES OF THE 10% TEST MATURITIES

**[\$Principal Amount]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(_____),
SERIES 2023 __**

Maturity Schedule

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

_____ C Priced to par call on June 15, _____.
* 10% Test Maturities

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller
Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance
Beau Scott, Office of Public Finance

DATE: Tuesday, December 13, 2022

SUBJECT: Ordinance Appropriating \$244,000,000 of the Series 2023ABC General Obligation Bond Proceeds

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Health and Recovery, 2020) Series 2023A in an amount not to exceed \$30,000,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Embarcadero Seawall, 2018) Series 2023B in an amount not to exceed \$42,000,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Affordable Housing, 2019) Series 2023C in an amount not to exceed \$172,000,000

Recommended Action:

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance and approving the sale of general obligation bonds for the following bond programs: 1) For the 2018 Embarcadero Seawall bond program, a second issuance in an amount not to exceed \$30,000,000 (the "2023A Bonds"); 2) For the 2020 Health and Recovery bond program, a second issuance in an amount not to exceed \$42,000,000 (the "2023B Bonds"); and 3) For the 2019 Affordable Housing bond program, a second issuance in an amount not to exceed \$172,000,000 (the "2023C Bonds").

In connection with this request, 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 13, 2022. We will request that the items be heard at the scheduled Budget and Finance Committee meeting on January 25, 2023.

Background

On November 6, 2018, a two-thirds majority of voters of the City and County of San Francisco (the "City") approved Proposition A, the Embarcadero Seawall Earthquake Safety General Obligation Bond. Proposition A authorizes the sale of up to \$425,000,000 of general obligation bonds to finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure. The purpose of the program is to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and rising seas by: repairing the 100-year-old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses. From this authorization, \$49,675,000 of bonds have been issued to date, and \$375,325,000 remains unissued.

On November 5, 2019, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Affordable Housing General Obligation Bond. Proposition A authorizes the sale of up to \$600,000,000 in general obligation bonds to finance the construction, development, acquisition, and preservation of housing, affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations in the City and 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 San Francisco Unified School District and City College of San Francisco employees; and to pay related costs. From this authorization, \$254,585,000 of bonds have been issued to date, and \$345,415,000 remains unissued.

On November 3, 2020, a two-thirds majority of voters of the City approved Proposition A, a San Francisco Health and Recovery General Obligation Bond. Proposition A authorizes the sale of up to \$487,500,000 in general obligation bonds to (i) stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; (ii) improve the accessibility, safety and quality of parks, open spaces and recreation facilities; and (iii) improve the accessibility, safety and condition of the City's streets and other public right-of-way and related assets. From this authorization, \$258,505,000 of bonds have been issued to date, and \$228,995,000 remains unissued.

Financing Parameters

The proposed legislation will approve the issuance and sale of the Series 2023A, 2023B, and 2023C bonds (together the "Series 2023ABC Bonds") under 2018 Embarcadero Seawall Proposition A, 2019 Affordable Housing Proposition A, and 2020 H&R Proposition A, and appropriation of the bond proceeds from the sale. Table 1 below outlines the sources and uses for the Bonds, based on an estimate provided by Fieldman, Rolapp & Associates, Inc., 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 2023ABC General Obligation Bonds

| | Series 2023A (2020 Health & Recovery) | Series 2023B (2018 Embarcadero Seawall) | Series 2023C (2019 Affordable Housing) | Total |
|-------------------------------------|---|---|--|----------------------|
| Estimated Sources: | | | | |
| <u>Not-to-Exceed Par Amount</u> | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |
| Estimated Par | \$28,855,000 | \$39,090,000 | \$168,315,000 | \$236,260,000 |
| Reserve for Market Uncertainty | \$1,145,000 | \$2,910,000 | \$3,685,000 | \$7,740,000 |
| Total Sources | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |
| Estimated Uses: | | | | |
| <u>Project Fund Deposit</u> | | | | |
| Project Fund | \$28,500,000 | \$38,617,000 | \$166,271,653 | \$233,388,653 |
| CSA Audit Fee | <u>\$57,000</u> | <u>\$77,234</u> | <u>\$332,543</u> | <u>\$466,777</u> |
| Total Project Fund Deposits | \$28,557,000 | \$38,694,234 | \$166,604,196 | \$233,855,430 |
| <u>Delivery Date Expenses</u> | | | | |
| Cost of Issuance | \$124,870 | \$161,226 | \$700,914 | \$987,010 |
| CGOBOC Fee | \$28,855 | \$39,090 | \$168,315 | \$236,260 |
| Underwriter's Discount | <u>\$144,275</u> | <u>\$195,450</u> | <u>\$841,575</u> | <u>\$1,181,300</u> |
| Total Delivery Date Expenses | \$298,000 | \$395,766 | \$1,710,804 | \$2,402,560 |
| Reserve for Market Uncertainty | \$1,145,000 | \$2,910,000 | \$3,685,000 | \$7,740,000 |
| Total Uses | \$30,000,000 | \$42,000,000 | \$172,000,000 | \$244,000,000 |

Source: Fieldman, Rolapp & Associates, Inc.

Based upon an estimated market interest rate of 6.56% for the general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of about \$18,600,000. The anticipated par amount of \$236,260,000 is estimated to generate about \$234,574,000 in interest payments, resulting in approximately \$469,653,000 in total debt service over the anticipated 25-year term of the bonds.

Detailed descriptions of the projects to be financed with proceeds of the Bonds are included in the Bond Accountability Reports to be prepared by the Port of San Francisco, Mayor's Office of Housing and Community Development, and Department of Recreation and Parks. In addition, a portion of the Bond proceeds will be used to pay certain expenses incurred in connection with the issuance and delivery of the Bonds, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit") and the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Property Tax Impact

Repayment of annual debt service on the 2023ABC Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.00567 per \$100 of assessed value or \$5.67 per \$100,000 of assessed value over the anticipated 25-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 average additional property taxes to the City of approximately \$33.62 per year if the proposed amount of \$236,260,000 of 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 2022-23 is approximately \$9.86 billion, based on a net assessed valuation of approximately \$328.5 billion. As of October 1, 2022, the City had outstanding approximately \$2.63 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.80% of the net assessed valuation for fiscal year 2022-23. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.25% 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 0.07%, to 0.87% — 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, the property tax rate for general obligation bonds for fiscal year 2022-23 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The appropriation ordinance and resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, December 13, 2022. The forms of the related financing documents — including the Bond Purchase Agreement, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents — will also be submitted at that time.

Bond Purchase Agreement: The City intends to pursue a competitive sale of the 2023ABC 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 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 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 Bonds. Pursuant to the Resolutions, 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 2023ABC 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 Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent 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 Bonds.

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

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 information that Board members may have unique in 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 Resolutions, approve and authorize the use and distribution of the Official Statement by the financial advisor with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, 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 Resolutions, 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 in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline

Milestones:

Capital Planning Committee Hearing of Resolutions
Board of Supervisors (BoS) Introduction
Budget & Finance Committee Hearing
BoS Consideration of Resolutions and First Reading of Ordinance
BoS Second Reading of Ordinance
Estimated Sale & Closing

Dates*:

Dec 5 & Dec 12
December 13
January 25
January 31
February 7
March/April 2023

**Please note that dates are preliminary and may change.*

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org) or Vishal Trivedi (vishal.trivedi@sfgov.org) if you have any questions.

From: [Conine-Nakano, Susanna \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#); [BLAKE, MARK \(CAT\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [Trivedi, Vishal \(CON\)](#); [Van Degna, Anna \(CON\)](#)
Subject: Mayor -- Resolution-- GO Bonds (Social Bonds - Affordable Housing, 2019), Series 2023C
Date: Tuesday, December 13, 2022 4:37:25 PM
Attachments: [Mayor -- Resolution-- GO Bonds \(Social Bonds - Affordable Housing, 2019\), Series 2023C.zip](#)

Hello Clerks,

Attached for introduction to the Board of Supervisors is a Resolution authorizing the issuance and sale of not to exceed \$172,000,000 aggregate principal amount on a tax-exempt or taxable basis of City and County of San Francisco General Obligation Bonds (Social Bonds-Affordable Housing, 2019) Series 2023C; prescribing the form and terms of such bonds; providing for the appointment of depositories and other agents for such bonds; providing for the establishment of accounts and/or subaccounts related to such bonds; authorizing the sale of such bonds by competitive or negotiated sale; approving the forms of the Official Notice of Sale and Notice of Intention to Sell Bonds and directing the publication of the Notice of Intention to Sell Bonds; approving the form of the Purchase Contract; approving the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; approving the form of the Continuing Disclosure Certificate; authorizing and approving modifications to such 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 such bonds, as defined herein.

[@BLAKE, MARK \(CAT\)](#), can you please reply-all to confirm your approval? Thanks!

Best,

Susanna

Susanna Conine-Nakano
Office of Mayor London N. Breed
City & County of San Francisco
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San Francisco, CA 94102
415-554-6147