

File No. 240114

Committee Item No. 4

Board Item No. 11

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date March 6, 2024

Board of Supervisors Meeting Date March 12, 2024

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement |
| | | <ul style="list-style-type: none">• Draft Escrow Agreement• Draft Notice of Intention to Sell• Draft Official Notice of Sale• Draft Preliminary Official Statement• Draft Purchase Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Form of Appendix A</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Controller's Office of Public Finance Presentation 3/6/2024</u> |
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Completed by: Brent Jalipa Date February 29, 2024

Completed by: Brent Jalipa Date March 7, 2024

1 [Issuance and Sale of General Obligation Refunding Bonds, Series 2024-R1 - Not to Exceed
2 \$644,675,000]

3 **Resolution approving the issuance and sale of not to exceed \$644,675,000 aggregate**
4 **principal amount of City and County of San Francisco General Obligation Refunding**
5 **Bonds, Series 2024-R1, to refund certain outstanding General Obligation Bonds of the**
6 **City and County of San Francisco; approving the form and authorizing the distribution**
7 **of the Preliminary Official Statement and authorizing the execution, delivery and**
8 **distribution of the Official Statement relating to the sale of the Series 2024-R1 Bonds;**
9 **ratifying certain actions previously taken, as defined herein; and granting general**
10 **authority to City officials to take necessary actions in connection with the**
11 **authorization, issuance, sale, and delivery of the Series 2024-R1 Bonds, as defined**
12 **herein.**

13
14 WHEREAS, The Board of Supervisors ("Board of Supervisors") of the City and County
15 of San Francisco ("City"), by Resolution No. 97-20 (the "Authorizing Resolution"), adopted on
16 March 3, 2020 and approved by the Mayor of the City (the "Mayor") on March 13, 2020,
17 authorized the issuance, from time to time and in one or more series, of the City's General
18 Obligation Refunding Bonds in an aggregate principal amount not to exceed \$1,482,995,000
19 (the "Bonds") to refund certain general obligation bonds of the City listed in Exhibit A attached
20 to the Authorizing Resolution (the "Prior Bonds") in order to reduce the amount of debt service
21 payments on the Prior Bonds by refunding and setting aside funds to retire all or a portion of
22 the outstanding Prior Bonds and to pay the costs of issuance of the Bonds; and

23 WHEREAS, To date, the City has issued (i) an initial series of Bonds, pursuant to the
24 Authorizing Resolution, in an aggregate principal amount of \$195,250,000 designated as "City
25 and County of San Francisco General Obligation Refunding Bonds, Series 2020-R1," to

1 refund certain of the Prior Bonds; (ii) a second series of Bonds, pursuant to the Authorizing
2 Resolution and Resolution No. 130-21 ("Resolution No. 130-21"), adopted by the Board of
3 Supervisors on March 23, 2021 and approved by the Mayor on April 2, 2021, in an aggregate
4 principal amount of \$91,230,000 designated as the "City and County of San Francisco
5 General Obligation Refunding Bonds, Series 2021-R1," to refund certain of the Prior Bonds;
6 (iii) a third series of Bonds, pursuant to the Authorizing Resolution and Resolution No. 130-21,
7 in an aggregate principal amount of \$86,905,000 designated as "City and County of San
8 Francisco General Obligation Refunding Bonds, Series 2021-R2 (Forward Delivery)," to
9 refund certain of the Prior Bonds; and (iv) a fourth series of Bonds, pursuant to the Authorizing
10 Resolution, Resolution No. 130-21 and Resolution No. 110-22, in aggregate principal amount
11 of \$327,300,000 designated as "City and County of San Francisco General Obligation
12 Refunding Bonds, Series 2022-R1," to refund certain of the Prior Bonds, leaving
13 \$782,310,000 of authorized but unissued bonding authority under the Authorizing Resolution;
14 and

15 WHEREAS, Pursuant to Resolution No. 130-21, for the purpose of correcting
16 scrivener's errors in the Authorizing Resolution, the Board of Supervisors amended the
17 definitions of "Defeasance Obligations" and "United States Obligations" in Section 13 of the
18 Authorizing Resolution by replacing each instance of "Prior Bonds" appearing therein with
19 "applicable Series of Bonds"; and

20 WHEREAS, The Board of Supervisors desires to confirm its actions in the Authorizing
21 Resolution (as amended), authorizing the issuance and sale of Bonds, and approve the
22 issuance and sale of an additional series of Bonds in an aggregate principal amount not to
23 exceed \$644,675,000 pursuant to this Resolution of the Board of Supervisors ("Resolution"),
24 the Authorizing Resolution (as amended), the laws of the State of California including Title 5,
25 Division 2, Part 1, Chapter 3, Articles 9 and 11 of the California Government Code, the

1 Charter, the Administrative Code of the City ("Administrative Code") and any applicable
2 Ordinance now or hereinafter in effect; and

3 WHEREAS, In accordance with Government Code, Section 5852.1, the Board of
4 Supervisors has obtained and disclosed the good faith estimates required thereby, as more
5 fully set forth in the staff report prepared by the Controller's Office of Public Finance ("Staff
6 Report") and such good faith estimates are available to the public at the meeting at which this
7 Resolution is adopted; now, therefore, be it

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

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

11 Section 2. Conditions Precedent. All conditions, things and acts required by law to
12 exist, to happen and to be performed precedent to and in connection with the adoption of this
13 Resolution and the issuance and sale of the Series 2024-R1 Bonds (as defined below) exist,
14 have happened and have been performed in due time, form and manner in accordance with
15 applicable law, and the City is now authorized pursuant to the Authorizing Resolution (as
16 amended), the Charter and applicable law to incur indebtedness in the manner and form
17 provided in this Resolution.

18 Section 3. Documents. The documents presented to the Board of Supervisors and on
19 file with the Clerk of the Board of Supervisors or designee thereof (the "Clerk of the Board of
20 Supervisors") are contained in File No. 240114.

21 Section 4. Approval of Issuance and Sale of Series 2024-R1 Bonds. The Board of
22 Supervisors confirms its actions in the Authorizing Resolution (as amended) authorizing the
23 issuance, from time to time and in one or more series (each a "Series") of Bonds in an
24 aggregate amount not to exceed \$1,482,995,000, and approves the issuance and sale of an
25 additional Series of Bonds which shall be issued in an aggregate principal amount not to

1 exceed \$644,675,000 and designated generally as “City and County of San Francisco
2 General Obligation Refunding Bonds, Series 2024-R1” or such other designation as the
3 Director of Public Finance shall determine with each Series of Bonds to bear such additional
4 designation as may be necessary or appropriate to distinguish such Series from every other
5 Series of Bonds (the “Series 2024-R1 Bonds”), to refund certain of the Prior Bonds as shall be
6 determined by the Controller or the Director of Public Finance in accordance with the
7 Authorizing Resolution (as amended) (such Prior Bonds to be refunded with the proceeds of
8 the Series 2024-R1 Bonds are referred to herein as the “Refunded Bonds”). Prior to issuance,
9 the Series 2024-R1 Bonds may be subdivided into more than one series. For purposes of this
10 Resolution, all of such subdivided series in the aggregate are referred to herein as the “Series
11 2024-R1 Bonds.” The Series 2024-R1 Bonds shall be issued in accordance with the
12 provisions of the Authorizing Resolution, as amended.

13 Section 5. Full Force and Effect of Authorizing Resolution (as amended). Aside from
14 the amendments made to the Authorizing Resolution pursuant to Section 5 of Resolution
15 No. 130-21, the Authorizing Resolution remains in full force and effect.

16 Section 6. Approval of Preliminary Official Statement and Official Statement. The form
17 of the proposed Preliminary Official Statement describing the Series 2024-R1 Bonds,
18 including all appendices (“Preliminary Official Statement”), in substantially the form presented
19 to the Board of Supervisors, copies of which are on file with the Clerk of the Board of
20 Supervisors and by this reference incorporated herein, is hereby approved and adopted as
21 the Preliminary Official Statement for the Series 2024-R1 Bonds, with such additions,
22 corrections and revisions as may be determined by the Controller or the Director of Public
23 Finance to be necessary or desirable. The Controller or the Director of Public Finance are
24 each hereby authorized to deem final the Preliminary Official Statement for purposes of
25 Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities

1 Exchange Act of 1934, as amended (the "Rule"), and to sign a certificate to that effect. The
2 Controller or the Director of Public Finance are each hereby authorized and directed to cause
3 to be printed and mailed or electronically distributed to prospective purchasers for the Series
4 2024-R1 Bonds copies of one or more Preliminary Official Statements deemed final by the
5 Controller or Director of Public Finance. The Controller or the Director of Public Finance are
6 each authorized and directed to approve, execute, and deliver the final Official Statement with
7 respect to the Series 2024-R1 Bonds, which final Official Statement shall be in the form of the
8 deemed final Preliminary Official Statement, with such additions, corrections and revisions as
9 may be determined to be necessary or desirable made in accordance with Section 24 of the
10 Authorizing Resolution (as amended) and as are permitted under the Rule. The Controller or
11 Director of Public Finance are each hereby authorized and directed to cause to be printed and
12 mailed or electronically distributed copies of the final Official Statement to all actual initial
13 purchasers of the Series 2024-R1 Bonds. The Controller or Director of Public Finance are
14 each also hereby authorized and directed to authorize, approve, and cause to be published
15 any supplements or amendments to the Official Statement that may be deemed necessary in
16 consultation with disclosure counsel to the City and the underwriter(s) of the Series 2024-R1
17 Bonds, if any.

18 Section 7. Ratification. All actions heretofore taken by officials, employees and agents
19 of the City with respect to the issuance and sale of the Series 2024-R1 Bonds, including the
20 actions set forth in the Authorizing Resolution (as amended), are hereby approved, confirmed
21 and ratified.

22 Section 8. General Authority. The Clerk of the Board of Supervisors, the Mayor, the
23 City Treasurer, the Director of Public Finance, the City Attorney and the Controller are each
24 hereby authorized and directed in the name and on behalf of the City to take any and all steps
25 and to issue, deliver or enter into any and all certificates, requisitions, agreements, notices,

consents, and other documents as may be necessary to give effect to the provisions of this Resolution, including but not limited to letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series 2024-R1 Bonds and the refunding of the Refunded Bonds from proceeds thereof. Any such actions are solely intended to further the purposes of the Authorizing Resolution (as amended), this Resolution, and are subject in all respects to the terms of the Authorizing Resolution (as amended) and this Resolution. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted in the Authorizing Resolution (as amended). Final versions of all such documents shall be provided to the Clerk of the Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as final documents are available) following execution by all parties.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/ Kenneth D. Roux
Kenneth D. Roux
Deputy City Attorney
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Items 4 & 5 Files 24-0086, 24-0114	Department: Controller's Office (Controller)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> File 24-0086 is an ordinance appropriating \$644,675,000 of the refunding bond series to be sold in 2024. File 24-0114 is a resolution approving the issuance and sale of refunding bonds in an amount not to exceed \$644,675,000, designated as Series 2024-R1, to refund certain outstanding general obligation bonds. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In March 2020, the Board of Supervisors approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000, which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval. The Board has approved refunding bonds in March 2020, March 2021, and April 2022. The Office of Public Finance (OPF) has identified \$694.4 million in outstanding general obligation bonds, of which \$674.4 million can be paid before the bonds reach their maturity date. OPF plans to issue refunding bonds, designated as Series 2024-R1, in an amount not to exceed \$644,675,000. The proposed refunding bonds will mature between 2035 and 2038. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> Based on good faith estimates provided in November 2023, the City could sell an estimated par amount of \$584,450,000 in refunding bonds at a premium and receive approximately \$643,374,949 in bond proceeds, net of fees and charges, with true interest cost of 3.21 percent. This would achieve net present value debt service savings of approximately \$4.6 million, or 0.7 percent, assuming that all callable maturities are refunded. This estimated refunding does not meet the City's Debt Policy's target of at least three percent debt service savings, and therefore, OPF would not move forward with refunding all of the callable maturities under these conditions. However, OPF is requesting the proposed authorization to refund those callable maturities that would generate debt service savings above the three percent savings threshold, and to move quickly in case conditions allow the three percent debt service savings target to be realized for all the callable maturities. The combined cost of issuance and underwriters discount of proposed bonds is estimated at \$3.6 million, which is less than one percent of the principal amount and below the maximum allowed under the 2020 refunding authorization. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinance and resolution. 	

MANDATE STATEMENT

City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

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

BACKGROUND

The City's Debt Policy

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City's Debt Policy as recommended by the Controller's Office of Public Finance (OPF) in February 2020 (File 20-0089).

Refunding Bond Authorization

In March 2020, the Board of Supervisors approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000 (File 20-0088), which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval. The Board of Supervisors have approved the following issuances of refunding bonds:

- In March 2020, the Board of Supervisors approved "Series 2020-R1," the first series of refunding bonds in an amount not to exceed \$255 million (File 20-0088).
- In March 2021, the Board of Supervisors approved a resolution for the sale of refunding bonds, designated as Series 2021-R1 and Series 2021-R2, in an amount not to exceed \$220 million, to refund all or a portion of prior bonds (File 21-0183), as well as an ordinance to appropriate \$220 million of the refunding bond series to be sold in 2021 (File 21-0028).
- In April 2022, the Board of Supervisors approved a resolution for the sale of refunding bonds, designated as Series 2022-R1, in an amount not to exceed \$385 million, to refund outstanding general obligation bonds (File 22-0082), as well as an ordinance to appropriate \$385 million of the refunding bonds to be sold in 2022 (File 22-0081).

DETAILS OF PROPOSED LEGISLATION

OPF is requesting the Board of Supervisors to approve the following resolution and ordinance:

File 24-0114: The proposed resolution approves the issuance and sale of refunding bonds in an amount not to exceed \$644,675,000, designated as Series 2024-R1, to refund certain outstanding general obligation bonds. The resolution also approves the form and authorizes the distribution of the Preliminary Official Statement and authorize the execution, delivery, and distribution of the Official Statement relating to the sale of the Series 2024-R1 Bonds, ratify certain actions

previously taken, and grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of the Series 2024-R1 Bonds.

If the proposed resolution is approved, OPF would retain \$137,635,000 of refunding bond issuance authority pursuant to the 2020 authorization, though refunding bond sales would still be subject to the Board of Supervisors' approval.

File 24-0086: The proposed ordinance appropriates \$644,675,000 of the refunding bond series to be sold in 2024 and places such amounts on the Controller's reserve in FY 2023-24.

FISCAL IMPACT

OPF has identified \$694.4 million in outstanding general obligation bonds, of which \$674.4 million can be paid before the bonds reach their maturity date, as shown in Exhibit 1 below. A call option in a bond agreement allows the issuer to pay down all or a portion of a bond before its maturity date.

Exhibit 1: Series 2024 R-1 General Obligation Bond Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$33,740,000	\$33,740,000	2035
Refunding Series 2015-R1	293,910,000	164,190,000	164,190,000	2035
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	8,695,000	5,735,000	5,735,000	2035
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	43,220,000	18,620,000	18,620,000	2035
Series 2016C (Earthquake Safety & Emergency Response, 2010)	25,215,000	17,190,000	17,190,000	2035
Series 2016D (Earthquake Safety & Emergency Response, 2014)	109,595,000	58,000,000	58,000,000	2035
Series 2016E (Road Repaving & Street Safety, 2011)	44,145,000	30,095,000	30,095,000	2035
Series 2017A (Public Health & Safety, 2016)	173,120,000	96,445,000	90,670,000	2036
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	76,710,000	37,480,000	35,400,000	2037
Series 2018B (Transportation & Road Improvement Bonds, 2014)	174,445,000	85,235,000	80,505,000	2037
Series 2018C (Earthquake Safety & Emergency Response, 2014)	189,735,000	116,640,000	110,735,000	2038
Series 2018E (Public Health & Safety, 2016)	49,955,000	31,030,000	29,475,000	2038
Total GO Refunding Candidates Callable 2023-2024	\$1,255,570,000	\$694,400,000	\$674,355,000	

Source: Office of Public Finance

According to Vishal Trivedi, OPF Financial Analyst, the requested refunding bond amount of approximately \$644.7 million is less than the callable par amount of \$674.4 million because of a

scheduled debt service payment on June 15, 2024, that the City has already factored into the property tax levy and will be paid with funds on hand.

File 24-0086 is an ordinance that would appropriate up to \$644,675,000 in bond proceeds, as shown in Exhibit 2 below.

Exhibit 2: Estimated Sources and Uses of 2024 Refunding Bonds

Sources	Amount
<i>Refunding Bond Proceeds</i>	
Par Amount	\$644,675,000
Total Sources	\$644,675,000

Uses	Amount
Refunding Escrow	\$641,059,102
Cost of Issuance	2,004,211
Underwriter's Discount	1,611,687
Total Uses	\$644,675,000

Source: Proposed Ordinance

In November 2023, the City's municipal advisor, Del Rio Advisors, LLC, provided good faith estimates for the issuance and sale of refunding bonds. At that time, De Rio Advisors estimated that the City could sell an estimated par amount of \$584,450,000 in refunding bonds and receive approximately \$643,374,949 in bond proceeds, net of fees. According to Financial Analyst Trivedi, this estimate assumes that the bonds would sell at a premium above face value, and therefore the City would not have to sell as many new bonds to generate sufficient proceeds to pay off the old bonds. However, OPF cannot predict with certainty if bonds will sell at a premium or what the premium will be. Therefore, the par amount of \$644,675,000 in the proposed resolution and ordinance represents the maximum par needed to generate sufficient proceeds to refund the callable bonds, with no premium assumed.

Debt Service Savings

Del Rio Advisors estimated that the true interest cost of refunding bonds would be approximately 3.21 percent. This would achieve net present value debt service savings of approximately \$4.6 million, or 0.7 percent, assuming that all callable maturities are refunded. The City's Debt Policy states, "absent any significant non-economic factors, it is the policy of the City that a refunding should produce minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ('TIC') as the discount rate." Since the good faith estimates do not project three percent debt service savings, Financial Analyst Trivedi reports that OPF would not move forward with refunding all of the callable maturities under these conditions. However, OPF is requesting the proposed authorization to refund those callable maturities that would generate debt service savings above the three percent savings threshold and to be able to move quickly in the event conditions reach a point where the three percent debt service savings target can be realized for all of the callable maturities.

Although interest rates have increased since the period when bonds were issued (2015 through 2018), Financial Analyst Trivedi reports that debt service savings can be realized through refunding because the coupon rate (fixed interest payment) of outstanding bonds could be higher than that of new bonds. Many outstanding bonds were sold at a premium. The premiums reduced effective coupon rates for outstanding bonds for a portion of their term, but now the City is paying debt service at the nominal coupon rate, so the City can likely achieve savings if new bonds have a lower true interest cost than the coupons of the outstanding bond maturities. Additionally, refunding bonds are issued for a shorter term, in line with existing maturity dates, which typically reduces interest costs.

Debt Issuance Costs

The resolution approving the issuance of up to \$1.483 billion in refunding bonds (File 20-0088) requires the costs of such issuances to not exceed two percent and, for a negotiated sale, the underwriter's discount to not exceed one percent of the principal amount of the refunding bonds. As shown in Exhibit 2, the combined cost of issuance and underwriters discount of proposed bonds is estimated at \$3.6 million, which is less than one percent of the principal amount and below the maximum allowed.

OPF is proposing a negotiated sale to maximize flexibility on the timing and structure of the sale to increase savings while maintaining tax rates. OPF issued a Request for Proposals (RFP) in February 2024 to firms in the City's underwriter pool to select an underwriter for the refunding bonds and anticipates receiving responses in March 2024.

Debt Limit

Section 9.106 of the City Charter limits general obligation bond debt to three percent of the assessed value of property in the City. As of January 1, 2024, the City has approximately \$2.59 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.75 percent of the net assessed value in FY 2023-24. If all of the City's voter-authorized and unissued general obligation bonds were issued (an additional approximate \$1.26 billion), the total general obligation bond debt would be 1.12 percent of the net assessed value of property in the City. According to OPF, if the Board of Supervisors approves the proposed 2024 Refunding Bonds, the debt ratio would not change significantly, as the bonds would be used to refund the currently outstanding principal and, therefore, remain in compliance with the City's debt limit.

RECOMMENDATION

Approve the proposed ordinance and resolution.

Refunding General Obligation Bonds Series 2024-R1

BUDGET AND FINANCE COMMITTEE

- Resolution (File #240114):

Approves the issuance and sale of General Obligation Refunding Bonds, Series 2024-R1 ("2024 GO Refunding Bonds") - Not to Exceed \$644,675,000

- Appropriation Ordinance (File #240086):

Refunding General Obligation Bond Proceeds - \$644,675,000



March 6, 2024

City and County of San Francisco
Office of the Controller
Office of Public Finance

Proposed GO Refunding Bond Series 2024-R1

GENERAL OBLIGATION REFUNDING CANDIDATES

General Obligation Bond Refunding Candidates	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
2023 GO Refunding Candidates (Callable on June 15, 2023)				
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$33,740,000	\$33,740,000	2035
Refunding Series 2015-R1	\$293,910,000	\$164,190,000	\$164,190,000	2035
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$5,735,000	\$5,735,000	2035
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$18,620,000	\$18,620,000	2035
Series 2016C (Earthquake Safety and Emergency Response, 2010)	\$25,215,000	\$17,190,000	\$17,190,000	2035
Series 2016D (Earthquake Safety and Emergency Response, 2014)	\$109,595,000	\$58,000,000	\$58,000,000	2035
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$30,095,000	\$30,095,000	2035
Subtotal 2023 GO Refunding Candidates	\$591,785,000	\$327,570,000	\$327,570,000	
2024 GO Refunding Candidates (Callable on June 15, 2024)				
Series 2017A (Public Health and Safety, 2016)	\$173,120,000	\$96,445,000	\$90,670,000	2036
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$37,480,000	\$35,400,000	2037
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$85,235,000	\$80,505,000	2037
Series 2018C (Earthquake Safety and Emergency Response, 2014)	\$189,735,000	\$116,640,000	\$110,735,000	2038
Series 2018E (Public Health and Safety, 2016)	\$49,955,000	\$31,030,000	\$29,475,000	2038
Subtotal 2024 GO Refunding Candidates	\$663,965,000	\$366,830,000	\$346,785,000	
Total GO Refunding Candidates Callable 2023 - 2024	\$1,255,750,000	\$694,400,000	\$674,355,000	

- In accordance with the City's Adopted Debt Policy, the 2024-R1 General Obligation Refunding Bonds will only be issued if the transaction produces minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value ("NPV") basis.
- The transaction may be structured to include or exclude eligible maturities in order to maintain the 3% savings target.
- A competitive Request for Proposals (RFP) for Underwriting services for this transaction was issued on February 16, 2024 with responses due back on March 8, 2024.



Proposed General Obligation Refunding Bonds

ESTIMATED FINANCING TERMS

- Final Maturity: June 15, 2038
- Estimated True Interest Cost: 3.21%
- Estimated Refunding Escrow: \$641.1M
- Estimated Financing Costs: \$3.6M

SOURCES AND USES

Sources:

2024-R1 GO Refunding Bond Proceeds	
Not-to-Exceed Par Amount	\$644,675,000
Total Sources	\$644,675,000

Uses:

Refunding Escrow	\$641,059,102
Delivery Date Expenses	3,615,898
Total Uses	\$644,675,000

Source: Del Rio Advisors, LLC



Proposed General Obligation Refunding Bonds

ANTICIPATED FINANCING TIMELINE

Milestones

Dates

- | | |
|--|------------------|
| • Introduction of the Ordinance to the Board of Supervisors | January 30, 2024 |
| • Introduction of the Resolution to the Board of Supervisors | February 6, 2024 |
| • Budget and Finance Committee Hearing | March 6, 2024 |
| • Board Considers Adoption of Resolution / Approval of the Ordinance (1 st Reading) | March 12, 2024 |
| • Final Board Approval of the Ordinance (2 nd Reading) | March 19, 2024 |
| • Pricing and Closing of GO Refunding Bonds | May 2024 |



ESCROW AGREEMENT

by and between

CITY AND COUNTY OF SAN FRANCISCO

and

WILMINGTON TRUST, NATIONAL ASSOCIATION
as Escrow Agent

relating to

\$[_____]
City and County of San Francisco
General Obligation Bonds
Series [_____]

Dated as of [____], 202[__]

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of [____], 202[____] (the “**Escrow Agreement**”), by and between the **CITY AND COUNTY OF SAN FRANCISCO** (“**City**”) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the “**Escrow Agent**”) and being qualified to accept and administer the trusts hereby created, is entered into in accordance with Resolution No. 97-20 of the City, adopted by the Board of Supervisors (“**Board of Supervisors**”) of the City on March 3, 2020, and approved by the Mayor of the City (the “**Mayor**”) on March 13, 2020, as amended, Resolution No. 130-21 of the City, adopted by the Board of Supervisors of the City on March 23, 2021, and approved by the Mayor on April 2, 2021, and Resolution No. [____], adopted by the Board of Supervisors of the City on [____], 2024, and approved by the Mayor of the City on [____], 2024 (collectively, the “**Resolution**”).

WITNESSETH:

WHEREAS, the City has previously caused to be issued its (i) [City and County of San Francisco General Obligation Refunding Bonds, Series 2015-R1 (the “**Series 2015-R1 Bonds**”), in the aggregate original principal amount of \$293,910,000, (ii) City and County of San Francisco General Obligation Bonds (Transportation and Road Improvement Bonds, 2014) Series 2015B (the “**Series 2015B Bonds**”), in the aggregate original principal amount of \$67,005,000, (iii) City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2008), Series 2016A (the “**Series 2016A Bonds**”), in the aggregate original principal amount of \$8,695,000, (iv) City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2016B (the “**Series 2016B Bonds**”), in the aggregate original principal amount of \$43,220,000, (v) City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2016C (the “**Series 2016C Bonds**”), in the aggregate original principal amount of \$25,215,000; (vi) City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2016D (the “**Series 2016D Bonds**”), in the aggregate original principal amount of \$109,595,000; and (vii) City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2016E (the “**Series 2016E Bonds**”), in the aggregate original principal amount of \$44,145,000]; and

WHEREAS, (i) [the Series 2015-R1 Bonds were issued pursuant to Resolution No. 448-11, adopted by the Board of Supervisors of the City (the “**Board**”) on November 1, 2011, and approved by the Mayor on November 1, 2011, and Resolution No. 467-14, adopted by the Board on December 16, 2014, and approved by the Mayor on December 19, 2014; (ii) the Series 2015B Bonds were issued pursuant to Resolution No. 193-15, adopted by the Board on June 2, 2015, and approved by the Mayor on June 9, 2015, and Resolution No. 192-15, adopted by the Board on June 2, 2015, and approved by the Mayor on June 9, 2015; (iii) the Series 2016A Bonds were issued pursuant to Resolution No. 343-08, adopted by the Board on July 29, 2008, and approved by the Mayor on August 5, 2008, and Resolution No. 407-15, adopted by the Board on October 27, 2015, and approved by the Mayor on November 9, 2015; (iv) the Series 2016B Bonds were issued pursuant to Resolution No. 156-13, adopted by the Board on May 21, 2013, and approved by the Mayor on May 28, 2013, and Resolution No. 408-15, adopted by the Board on October 27, 2015, and approved by the Mayor on November 9, 2015; (v) the Series 2016C Bonds were issued

pursuant to Resolution No. 516-10, adopted by the Board on November 2, 2010, and approved by the Mayor on November 5, 2010, and Resolution No. 94-16, adopted by the Board on March 22, 2016 and approved by the Mayor on March 23, 2016; (vi) the Series 2016D Bonds were issued pursuant to Resolution No. 313-14, adopted by the Board on July 29, 2014, and approved by the Mayor on August 7, 2014, and Resolution No. 95-16, adopted by the Board on March 22, 2016 and approved by the Mayor on March 23, 2016; and (vii) the Series 2016E Bonds were issued pursuant to Resolution No. 24-12, adopted by the Board on January 24, 2012, and approved by the Mayor on February 3, 2012, and Resolution No. 96-16, adopted by the Board on March 22, 2016 and approved by the Mayor on March 23, 2016] (collectively, the “**Refunded Bonds Resolutions**”);

WHEREAS, the City is, simultaneously with the execution of this Escrow Agreement, issuing its City and County of San Francisco General Obligation Refunding Bonds, Series 202[3][4]-R1 in the aggregate principal amount of \$[] (the “**Bonds**”) for the purpose of providing moneys, a portion of which will be used to currently refund the (i) Series [] Bonds set forth in Exhibit A-1 attached hereto (the “**Refunded Series [] Bonds**”), on [], 202[] (the “**Redemption Date**”), at a redemption price equal to 100% of the outstanding aggregate principal amount thereof, together with interest accrued on the Refunded Bonds through the Redemption Date (the “**Redemption Price**”); and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City and the Escrow Agent agree as follows:

Section 1. Establishment and Maintenance of Escrow Fund and Escrow Accounts Therein. The Escrow Agent hereby agrees to establish and maintain a separate trust fund and separate accounts within such fund until all of the Refunded Bonds have been paid as provided herein, designated as the “City and County of San Francisco General Obligation Refunding Bonds Escrow Fund (202[])” (the “**Escrow Fund**”), and to hold the securities, investments and moneys therein at all times as a special fund and separate trust account. All securities, investments and moneys in the Escrow Fund and any Escrow Accounts (as defined herein) therein, are hereby irrevocably pledged, subject to the provisions of Section 4 and Section 6 hereof, to secure the payment of the applicable series of Refunded Bonds.

(a) There is hereby created an escrow account within the Escrow Fund securing the payment of the Refunded Series [] Bonds (the “**Series [] Bonds Escrow Account**”), subject to and in accordance with the provisions of this Escrow Agreement.

(b) There is hereby created an escrow account within the Escrow Fund securing the payment of the Refunded Series [] Bonds (the “**Series [] Bonds Escrow Account**” and together with the Series [] Escrow Account and the Series [] Bonds Escrow Account, the “**Escrow Accounts**”), subject to and in accordance with the provisions of this Escrow Agreement.

Section 2. Deposits to the Escrow Fund and Escrow Accounts Therein.

(a) **Series [] Bonds Escrow Account.** Concurrently with the execution and delivery of this Escrow Agreement, the City hereby directs the Escrow Agent to, and

the Escrow Agent shall, deposit the sum of \$[____], derived from the proceeds of the sale of the Bonds (which the City caused to be transferred to the Escrow Agent on [Closing Date]) to the Series [____] Bonds Escrow Account.

[Any other moneys to account for?]

(b) **Series [____] Bonds Escrow Account.** Concurrently with the execution and delivery of this Escrow Agreement, the City hereby directs the Escrow Agent to, and the Escrow Agent shall, deposit the sum of \$[____], derived from the proceeds of the sale of the Bonds (which the City caused to be transferred to the Escrow Agent on [Closing Date]) to the Series [____] Bonds Escrow Account.

[Any other moneys to account for?]

Section 3. Investment of Money in the Escrow Accounts.

(a) **Series [____] Bonds Escrow Account.** The Escrow Agent hereby acknowledges receipt of \$[____] as described in Section 2(a) above, and that such amounts were deposited to the Series [____] Bonds Escrow Account. The City hereby directs the Escrow Agent to, and the Escrow Agent shall, on [Closing Date], use \$[____] on deposit in the Series [____] Bonds Escrow Account to purchase the securities described in Exhibit B-1 attached hereto (the “**Initial Government Securities (Series [____] Bonds)**”), and shall retain, uninvested, \$[____] in the Series [____] Bonds Escrow Account as a beginning cash balance.

(b) **Series [____] Bonds Escrow Account.** The Escrow Agent hereby acknowledges receipt of \$[____] as described in Section 2(a) above, and that such amounts were deposited to the Series [____] Bonds Escrow Account. The City hereby directs the Escrow Agent to, and the Escrow Agent shall, on [Closing Date], use \$[____] on deposit in the Series [____] Bonds Escrow Account to purchase the securities described in Exhibit B-2 attached hereto (the “**Initial Government Securities (Series [____] Bonds)**”) and together with the Initial Government Securities (Series [____] Bonds), the “**Initial Government Securities**”), and shall retain, uninvested, \$[____] in the Series [____] Bonds Escrow Account as a beginning cash balance.

The Escrow Agent shall purchase the Initial Government Securities as provided in this Section and shall hold such Initial Government Securities, the beginning cash balance and any earnings received thereon and any reinvestment thereof pursuant to this Escrow Agreement and disburse such amounts as provided herein. The Escrow Agent shall collect amounts due and shall sell or otherwise liquidate investments in the respective Escrow Accounts as needed to make the payments and transfers required by this Escrow Agreement and may substitute different Government Securities, as defined and subject to the terms and limitations of Section 7 hereof, for the Initial Government Securities but otherwise shall have no power or duty to sell, transfer, request the redemption of or otherwise dispose of the Initial Government Securities. In the absence of written instructions from the City, such funds in such Escrow Account shall be held uninvested.

The Escrow Agent, in the absence of negligence or willful misconduct on its part, shall have no responsibility or liability for any loss which may result from any investment or sale of

investment made pursuant to this Escrow Agreement, including, without limitation, any losses thereon or any liability in respect of any taxes thereon or in respect of any tax-related matter in respect thereto. The Escrow Agent is hereby authorized, in making or disposing of any investment permitted by this Escrow Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or any such affiliate is acting as agent of the Escrow Agent or for any third person or dealing as principal for its own account. The parties acknowledge that the Escrow Agent is not providing investment supervision, recommendations, or advice. The Escrow Agent shall have no responsibilities as to the validity, sufficiency, value, genuineness, ownership or transferability of the Escrow Fund, written instructions, or any other documents in connection therewith, and will not be regarded as making nor be required to make, any representations thereto.

Section 4. Redemption of the Refunded Bonds. The City hereby directs the Escrow Agent to, and the Escrow Agent shall, on the Redemption Date, withdraw from the Escrow Accounts, amounts sufficient to pay the Redemption Price of the applicable series of Refunded Bonds on the Redemption Date (such amounts being described in Exhibit[s] C-1 attached hereto). Such transfers shall constitute the respective payments of the principal, interest, and premium, if any, with respect to the applicable series of Refunded Bonds and the Redemption Price due from the City. The holders of the Refunded Bonds shall have a first lien on the moneys and Government Securities in the Escrow Account applicable to their respective series of Refunded Bonds which are allowable and sufficient to pay such Refunded Bonds until such moneys and Government Securities are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Escrow Accounts are irrevocably pledged only to the holders of the applicable series of Refunded Bonds. Upon deposit of the moneys and Government Securities with the Escrow Agent pursuant to the provisions of Sections 1 and 2 hereof, the holders of the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the applicable Refunded Bonds Resolutions.

Section 5. Possible Deficiencies. If at any time it shall appear to the Escrow Agent that the moneys in the Escrow Accounts will not be sufficient to make all payments required by Section 4 hereof, the Escrow Agent shall notify the City in writing as soon as reasonably practicable of such fact and the amount of such deficiency. Thereupon the City shall use its best efforts to obtain and deposit with the Escrow Agent for deposit in the Escrow Accounts, from any legally available moneys, such additional moneys as may be required to meet fully the aggregate amounts to become due and payable on the applicable Refunded Bonds as the same become due. The Escrow Agent shall in no manner be responsible for the City's failure to make any such deposit. The Escrow Agent may conclusively rely on the report of a nationally recognized firm of independent certified public accountants delivered with respect to the Escrow Accounts as to the sufficiency of the amounts therein to pay the redemption prices of the applicable Refunded Bonds in accordance with Section 4 hereof.

Section 6. Unclaimed Moneys. The Escrow Agent shall retain all unclaimed moneys, together with interest thereon, in the applicable Escrow Accounts and shall invest such unclaimed moneys as directed in writing by the City. In the absence of such written instructions, such funds in such Escrow Account shall be held uninvested. At such time as the City delivers to the Escrow Agent written notice that no additional amounts from the applicable Escrow Accounts will be needed to redeem the respective Refunded Bonds, or on [____], 202[___], whichever occurs first, the Escrow Agent shall transfer all amounts then remaining in the applicable Escrow

Accounts to the City and thereafter the holders of the respective Refunded Bonds shall look only to the City for payment and the Escrow Agent shall have no responsibility or liability whatsoever with respect to any of such moneys. At such time as no amounts remain in the applicable Escrow Accounts, such accounts shall be closed.

Section 7. Reinvestment; Substitution of Government Securities. Except as specifically provided below, the Escrow Agent may not sell, transfer, request the redemption of or otherwise dispose of the Initial Government Securities.

Interest income and other amounts received by the Escrow Agent as payments on the Initial Government Securities held in the applicable Escrow Accounts shall be held as part of such Escrow Accounts to be used for the purposes set forth in Section 4 hereof and may be invested by the Escrow Agent at the written direction of the City; provided that (a) such amounts may only be invested as permitted by the applicable Refunded Bonds Resolutions; and (b) such investments shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make payments required by Section 4 hereof.

Upon written direction of the City, the Escrow Agent may sell, liquidate, or otherwise dispose of some or all of the Initial Government Securities then held as an investment of the applicable Escrow Accounts and reinvest the proceeds thereof, together with other moneys held in such Escrow Accounts in different securities, as permitted by the applicable Refunded Bonds Resolutions, provided that no such substitution shall occur unless (i) the amounts of and dates on which the anticipated withdrawals from the applicable Escrow Accounts by the Escrow Agent for the payment of the principal of, redemption price of, and interest on the applicable Refunded Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond counsel to the effect that such reinvestment and substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the applicable Refunded Bonds, (iii) the Escrow Agent shall receive from a firm of independent certified public accountants a certification that, immediately after such reinvestment and substitution, the principal of and interest on obligations in the applicable Escrow Accounts will, together with other cash on deposit in the applicable Escrow Accounts available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest on the applicable Refunded Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment and substitution is permissible under this Escrow Agreement and that the conditions under this Section 7 have been satisfied.

Section 8. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

Section 9. Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the

same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund and the Escrow Accounts therein, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective agents and employees. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section 9. The indemnities contained in this Section 9 shall survive the termination of this Escrow Agreement or the earlier removal or resignation of the Escrow Agent.

Section 10. Responsibilities of the Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund and the Escrow Accounts therein, the acceptance of the moneys deposited therein, the sufficiency of the funds deposited in the respective Escrow Accounts to accomplish the defeasance of the applicable Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the funds deposited in the respective Escrow Accounts to accomplish the refunding of the applicable Refunded Bonds on the Redemption Date or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement, and no implied duties or obligations shall be read into this Escrow Agreement against Escrow Agent.

The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City.

The liability of the Escrow Agent to make the payments required by this Escrow Agreement shall be limited to the moneys in the Escrow Fund and the Escrow Accounts therein, and the Escrow Agent shall not be liable for any amount in excess of the value thereof.

No provision of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall not be liable for the accuracy of any calculations provided herein. The Escrow Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument, or document other than those set forth in this Escrow Agreement or in the Resolution, whether or not an original or a copy of such agreement has been provided to the Escrow Agent. The Escrow Agent shall have no duty to know or inquire as to the performance or nonperformance of any provision of any other agreement, instrument, or document other than this Escrow Agreement.

Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

The City shall pay the Escrow Agent full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund and the Escrow Accounts therein be deemed to be available for said purposes.

The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, judgment, decree, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein.

In the event that any funds and/or assets in the Escrow Fund or any Escrow Account shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the funds and/or assets in such Escrow Fund or Escrow Account, the Escrow Agent is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Escrow Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

If any conflict, disagreement or dispute arises between, among, or involving any of the parties hereto concerning the meaning or validity of any provision hereunder or concerning any other matter relating to this Escrow Agreement, or the Escrow Agent is in doubt as to the action to be taken hereunder, the Escrow Agent may, at its option, after sending written notice of the same to the City, refuse to act until such time as it (a) receives a final non-appealable order of a court of competent jurisdiction directing delivery of the Escrow Fund or any assets therein or (b) receives a written instruction, executed by each of the parties involved in such disagreement or dispute, in a form reasonably acceptable to the Escrow Agent, directing delivery of the assets. The Escrow Agent will be entitled to act on any such written instruction or final, non-appealable order of a court of competent jurisdiction without further question, inquiry or consent. The Escrow Agent may file an interpleader action in a state or federal court, and upon the filing thereof, the Escrow Agent will be relieved of all liability as to the assets and will be entitled to recover reasonable and documented out-of-pocket attorneys' fees, expenses and other costs incurred in commencing and maintaining any such interpleader action.

The Escrow Agent shall be entitled to request and receive written instructions hereunder, and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the Escrow Agent in accordance with such written direction. The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**") given pursuant to this Escrow Agreement and delivered using Electronic Means ("**Electronic Means**") shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions ("**Authorized Officers**") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (a) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including

without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (b) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (c) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (d) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Except with respect to any future reinvestment or substitution of Government Securities as may be directed by the City as set forth in Section 7 hereof, the Escrow Agent hereby represents that, as of the date hereof, it does not need any further certificate or direction from any other party in order to carry out the terms of this Escrow Agreement.

Section 11. [Irrevocable] Instructions As to Notice of Redemption and Notice of Defeasance. The City hereby directs the Escrow Agent to give or cause to be given, and the Escrow Agent agrees to give or cause to be given, notice of the redemption of the Refunded Bonds (a form of such notice being attached hereto as Exhibit D) at such time and in such manner as provided in the applicable Refunded Bonds Resolutions.

Additionally, the City hereby directs the Escrow Agent to give or cause to be given, and the Escrow Agent hereby agrees to give or cause to be given on the date hereof, notice of the defeasance of the Refunded Bonds (a form of such notice being attached hereto as Exhibit E). Such notice of defeasance shall be mailed (or delivered via such other approved delivery method, including via electronically) to The Depository Trust Company. The Escrow Agent is hereby further instructed to mail and to file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") upon the defeasance of the Refunded Bonds a notice of defeasance of the Refunded Bonds. The sole remedy for the Escrow Agent's failure to file such notice on EMMA shall be an action by the holders of the Refunded Bonds in mandamus for specific performance or similar remedy to compel performance.

The Escrow Agent hereby acknowledges that upon the funding of the Escrow Accounts as provided in this Escrow Agreement, it is in receipt of the items constituting all of the conditions precedent to the redemption of the Refunded Bonds under the applicable Refunded Bonds Resolutions and the Refunded Bonds shall be paid in accordance with the Refunded Bonds Resolutions. Additionally, the Escrow Agent hereby acknowledges the receipt of the documents required to be delivered to it in connection with the defeasance of the Refunded Bonds pursuant to the provisions of the Refunded Bonds Resolutions, and upon redemption of the Refunded Bonds, the Refunded Bonds shall cease to be entitled to any lien, benefit or security under the Refunded Bonds Resolutions.

Section 12. Amendments. This Escrow Agreement is made for the benefit of the City and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent and the City; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Bonds and the Refunded Bonds will not be adversely affected for federal income tax purposes, the City and the

Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not materially adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (b) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (c) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 12, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 12.

Section 13. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (a) the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement; or (b) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent and all amounts owed to the Escrow Agent shall have been paid in full. Any unclaimed money shall be handled and disposed of in accordance with Section 6 hereof.

Section 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund or the Escrow Accounts therein for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

Section 15. Resignation or Removal of Escrow Agent. The Escrow Agent, may at any time resign and be discharged from its duties and obligations hereunder by giving written notice to the City of such resignation. The City may at any time remove the entity which is serving as Escrow Agent for the Refunded Bonds, on behalf of and at the direction of the City, by giving written notice to the Escrow Agent of such removal. The City shall promptly appoint a successor Escrow Agent by the resignation or removal date. Resignation or removal of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the City does not appoint a successor, the Escrow Agent may at its sole discretion (at the sole cost and expense of the City, including with respect to reasonable attorneys' fees and expenses) petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe, and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the City may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the City appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the City shall immediately and without further act be replaced by the successor Escrow Agent so appointed.

Section 16. Entire Agreement; Severability. The Escrow Agent shall be entitled to request and receive written instructions hereunder, and shall have no responsibility or liability for any losses or damages of any nature that may arise from any action taken or not taken by the

Escrow Agent in accordance with such written direction. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 17. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument. The parties contemplate that they may be executing counterparts of the Escrow Agreement transmitted by facsimile, PDF or other electronic or internet-based means, and agree and intend that a signature by any such means shall bind the party so signing with the same effect as though the signature were an original signature

Section 18. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

Section 19. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions or trust companies in Wilmington, Delaware, New York, New York, or the city in which is located the principal office of the Escrow Agent are authorized by law, regulation or executive order to close or to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions or trust companies are authorized by law, regulation or executive order to close or to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 20. Notices. All notices, demands and formal actions under this Escrow Agreement shall be in writing and mailed, telegraphed or delivered to:

The City: City and County of San Francisco
 1 Dr. Carlton B. Goodlett Place, Room 336
 San Francisco, California 94102
 Attention: []

The Escrow Agent: Wilmington Trust National Association
 650 Town Center Drive, Suite 800
 Attention: Corporate Trust Services

Section 21. Assignment. This Escrow Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the City, except such assignment in connection with a merger, conversion or consolidation as described in Section 10 hereof shall not require such prior written consent of the City.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers and attested as of the date and year first written above.

CITY AND COUNTY OF SAN FRANCISCO

By _____
London Breed, Mayor

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Escrow Agent

By _____
_____, Authorized Officer

ATTEST:

By _____
Clerk of the Board of Supervisors

[Signature page to Escrow Agreement]

EXHIBIT A-1

REFUNDED SERIES [_____] BONDS

**City and County of San Francisco
General Obligation Bonds
Series [_____]**

<u>Maturity Date</u> <u>([_____])</u>	<u>Principal to be</u> <u>Redeemed</u>	<u>Redemption</u> <u>Price</u>	<u>Redemption Date</u>	<u>CUSIP</u> <u>Number</u>
---	---	---	-------------------------------	---

EXHIBIT B-1
INITIAL GOVERNMENT SECURITIES FOR
REFUNDED SERIES [_____] BONDS ESCROW ACCOUNT

<u>Maturity Date</u>	<u>Type</u>	<u>Coupon</u>	<u>Price</u>	<u>Par Amount</u>	<u>Total Cost</u>
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Uninvested cash: \$[•]

EXHIBIT C-1

**DISBURSEMENTS/PAYMENT REQUIREMENTS FROM
REFUNDED SERIES [_____] BONDS ESCROW ACCOUNT**

<u>Redemption Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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EXHIBIT D

FORM OF NOTICE OF REFUNDED BONDS REDEMPTION

CITY AND COUNTY OF SAN FRANCISCO

General Obligation Bonds, Series [_____]

NOTICE IS HEREBY GIVEN, that the City and County of San Francisco (the “City”) has called for redemption on [____], 202[___] (the “Redemption Date”) all of the bonds listed below (collectively, the “Bonds”) at a redemption price of 100% (the “Redemption Price”), together with accrued interest to the Redemption Date. On the Redemption Date, there will become due and payable the Redemption Price of the Bonds, together with interest accrued thereon to the Redemption Date. From and after the Redemption Date, interest shall cease to accrue on the Bonds and the Bonds shall be surrendered.

**CITY AND COUNTY OF SAN FRANCISCO GENERAL OBLIGATION BONDS
SERIES [_____]**

CUSIP NUMBER
(Base: 797646)

MATURITY DATE
([_____])

AMOUNT

Payment of the Redemption Price on the Bonds called for redemption, together with accrued interest thereon to the Redemption Date, will be paid only upon presentation and surrender thereof in the following manner (if delivery is by mail, registered mail with return receipt request is recommended):

Office of the Treasurer-Tax Collector
1 Dr. Carlton B. Goodlett Place
Room 140
San Francisco, California 94102

IMPORTANT NOTICE

Withholding of 24% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “Act”), unless Wilmington Trust, National Association, as Escrow Agent (the “Escrow Agent”), for the Bonds, has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

The City and the Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to their correctness as indicated in the notice or as printed on any bond. They are included solely for convenience of the owners of the Bonds.

Dated: _____.

City and County of San Francisco

By: Wilmington Trust, National Association, as Escrow Agent

All Refunded Bonds shall be surrendered at the following address:

Delivery Instructions:

Office of the Treasurer-Tax Collector
1 Dr. Carlton B. Goodlett Place
Room 140
San Francisco, California 94102

The City and Escrow Agent shall not be held responsible for the selection or use of CUSIP numbers, nor is any representation made as to the correctness of the CUSIP number either as printed on any Refunded Bonds or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption and defeasance of the Refunded Bonds.

After the date hereof, in accordance with the terms of the Refunded Bonds Resolutions, the Escrow Agent has been directed by the City to mail, or cause to be mailed, a redemption notice relating to the Refunded Bonds maturing on or after [____], 202[____] that will be redeemed on [____], 20[____].

Dated: [No later than _____, 202_].

City and County of San Francisco

By: Wilmington Trust, National Association, as Escrow Agent

NOTICE OF INTENTION TO SELL

**\$[_____]]
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024-R1**

NOTICE IS HEREBY GIVEN that the City and County of San Francisco (“City”) intends to offer for public sale on [Sale Date], at [Sale Time] a.m. (California time), the general obligation bonds captioned above (“Bonds”) by electronic bids through Ipreo LLC’s BiDCOMP™/PARITY® System (“Parity”).

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

The Bonds will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around [_____] , 202[] (“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 [_____] , 202[] (“Preliminary Official Statement”), and the Official Notice of Sale, are expected to be available electronically at Elabra on or around [_____] , 202[] , and may also be obtained from the City’s Co-Municipal Advisors: Fieldman, Rolapp & Associates, 19990 MacArthur Boulevard, Suite 1100, Irvine, CA 92612, Attention: Un Chu Reardon, Principal, Phone: 949-660-7315, Fax: 949-474-8773, Email: ureardon@fieldman.com and Del Rio Advisors, LLC, 1325 Country Club Drive, Modesto, CA 95356, Attn: Kenneth L. Dieker, Principal, Phone: (209) 543-8704, Email: kdieker@delrioadvisors.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: [_____] , 202[]

OFFICIAL NOTICE OF SALE

[_____]

**\$[_____]
CITY AND COUNTY OF
SAN FRANCISCO
GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2024-R1**

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: [_____] , 202[]*
(Subject to postponement, cancellation, modification
or amendment in accordance with this Official Notice
of Sale)

TIME: []:00 a.m. *, California time

PLACE: Controller's Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 338,
San Francisco, California 94102

DELIVERY DATE: [_____] , 202[]*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE
\$[_____]
CITY AND COUNTY OF
SAN FRANCISCO
GENERAL OBLIGATION REFUNDING
BONDS, SERIES 2024-R1

NOTICE IS HEREBY GIVEN that electronic bids will be received through the Ipreo LLC's BiDCOMPTM/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 Refunding Bonds, Series 2024-R1 ("Bonds") of the City and County of San Francisco ("City") as more particularly described herein. Bidding procedures and sale terms are as follows:

- Issue: The Bonds are described in the City's Preliminary Official Statement for the Bonds dated [____], 202[] ("Preliminary Official Statement").
- Time: Bids for the Bonds must be received electronically by __:00 a.m., California time, on [____], 202[] (subject to postponement or cancellation in accordance with this Official Notice of Sale).
- Place: Bidders may submit electronic bids only in the manner and subject to the terms and conditions described under "TERMS OF SALE - Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON [____], 202[]* 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
19990 MacArthur Boulevard, Suite 1100
Irvine, CA 92612
Attention: Un Chu Reardon, Senior Vice President
Phone: (949) 660-7315
Fax: 949-474-8773
Email: ureardon@fieldman.com

and

Del Rio Advisors, LLC
1325 Country Club Drive
Modesto, CA 95356
Attention: Kenneth L. Dieker, Principal
Phone: (209) 543-8704
Email: kdieker@delrioadvisors.com

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

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

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

This Official Notice of Sale will be submitted for posting to Parity. In the event the summary of the terms of sale of the Bonds posted on Parity conflicts 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, 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. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of \$5,000 or any integral multiple of that amount, as designated by the winning bidder of the Bonds (“Purchaser”). The Bonds will be dated the date of delivery, which is expected to be [____], 202[____]*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the 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 [____], 20[____], and semi-annually thereafter on June 15 and December 15 of each year (each an “Interest Payment Date”). Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months from the dated date of the Bonds. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

- (i) each interest rate specified in any bid for the Bonds must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;
- (ii) the maximum interest rate bid for any maturity shall not exceed 6% 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; and
- (v) all Bonds maturing at any one time shall bear the same rate of interest.

* Preliminary, subject to change.

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

Purchase Price: The purchase price of the Bonds shall not be less than []%, nor greater than []%, of the par amount of the Bonds.

Principal Payments of the 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 Bonds will mature as set forth below:

Maturity Date (June 15)	Principal Amount*
[]	\$(TO COME)

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

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

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

Optional Redemption: The Bonds maturing on or before June 15, 20[], are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after June 15, 20[], shall be subject to redemption prior to their respective maturity dates as a whole or in part, on any

* Preliminary, subject to change.

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 the Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

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

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

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Nixon Peabody LLP and Husch Blackwell LLP (“Co-Bond Counsel”), will deliver their respective legal opinions as to the validity and enforceability and tax status of the Bonds.

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

See the Preliminary Official Statement – “TAX MATTERS.”

TERMS OF SALE

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

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

If the sale of the Bonds is canceled or postponed, any bids received prior to such cancellation or postponement shall be rejected. No bid submitted to the City shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The City retains absolute discretion to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this

Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

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

Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Co-Municipal Advisors or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, 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 the Bonds through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, and the City will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the City is permitting use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; and (6) the City may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted and executed on the bidder's behalf by a duly authorized signatory.

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

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

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

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

(4) The Co-Municipal Advisors will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the 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 ("Certificate of Award").

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

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

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

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

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder to comply with the terms of its bid, the apparent winning bidder for the Bonds must provide to the City a good faith deposit in the amount of \$[1,000,000] ("Good Faith Deposit").

Upon the determination by the City of the Apparent Winning Bidder of the Bonds, the Co-Municipal Advisors will (i) provide to the Apparent Winning Bidder the wire transfer information and (ii) request the Apparent Winning Bidder to immediately wire the Good Faith Deposit to the

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

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

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

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 winning bidder for the Bonds shall 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 setting forth the reasonably expected initial offering price to the public together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Co-Bond Counsel.

(b) The City intends that Treasury Regulation Sections 1.148-1(f)(3)(i) (providing a special rule for competitive sales for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (“competitive sale requirements”) because:

- (1) the City shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

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

(c) If the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of the Bonds as the issue price of that maturity (“hold-the-offering-price rule”). The City shall promptly advise the winning bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies.

(d) By submitting a bid for the Bonds, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds 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 Bonds, that the underwriters will neither offer nor sell unsold Series the Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

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

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

(f) By submitting a bid for the Bonds, 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 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 retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that the hold-the-offering-price rule no longer applies to such maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Bonds 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 the Bonds 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 Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that the hold-the-offering-price rule no longer applies to such maturity and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

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

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the 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 retail or other 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 (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the

corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

- (iv) “sale date” means the date that the Bonds are awarded by the City to the winning bidder.

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

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

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

Prompt Award. The Controller 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 the Bonds, unless such time period is waived by the Purchaser.

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

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

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about [____], 202[____]*. 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 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, dated as of the delivery date, the legal opinions with respect to the Bonds, described in Appendix F to the Preliminary Official Statement.

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

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

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

* Preliminary; subject to change.

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

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

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

Expenses of the Winning Bidder(s). CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the winning bidder will be the responsibility of the winning bidder. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission, within sixty (60) days from the sale date, the statutory fee for the 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 upon request to the Office of Public Finance or to the Co-Municipal Advisors. (The contact information for the Co-Municipal Advisors is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information as permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement (the "Official Statement"), without charge, for distribution in connection with the resale of the Bonds. The Purchaser of the Bonds must notify the City in writing within two (2) days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

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

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

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

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

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

Continuing Disclosure. In order to assist 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 Official Statement.

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

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

Dated: [____], 202[].

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)**

\$ _____
**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024-R1**

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 Refunding Bonds, Series 2024-R1 (“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.

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.

(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. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *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 [____], 202[___].

(e) *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 retail or other 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, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in a tax certificate with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP and Husch Blackwell LLP, 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.

[NAME OF PURCHASER]

By: _____

Name: _____

Dated: [ISSUE DATE]

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)**

\$ _____
**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024-R1**

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 who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who 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) 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 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. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *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 [____], 202[].

(g) *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).

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, 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 with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP and Husch Blackwell LLP, 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.

[NAME OF PURCHASER]

By: _____

Name: _____

Dated: [ISSUE DATE]

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 [_____, 2024]

NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinion of Nixon Peabody LLP and Husch Blackwell LLP, Co-Bond Counsel to the City (as defined herein), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Co-Bond Counsel are further of the opinion that interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.



\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1

Dated: Date of Delivery

Due: June 15, as shown on the inside cover

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the 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 General Obligation Refunding Bonds, Series 2024-R1 (the "Bonds") will be issued under the Government Code of the State of California, the Charter of the City and County of San Francisco (the "City"), and the Administrative Code of the City. The issuance of the Bonds has been authorized by Resolution No. 97-20, adopted by the Board of Supervisors of the City (the "Board of Supervisors") on March 3, 2020 and duly approved by the Mayor of the City on March 13, 2020 (as amended by Resolution No. 130-21, adopted by the Board of Supervisors on March 23, 2021 and duly approved by the Mayor on April 2, 2021), and Resolution No. [____], adopted by the Board of Supervisors on [____] and duly approved by the Mayor of the City on [____]. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to refund certain outstanding general obligation bonds of the City (as further described herein, the "Prior Bonds"), and to pay certain costs related to the issuance of the Bonds and the refunding of the Prior Bonds. See "PLAN OF REFUNDING" and "SOURCES AND USES OF FUNDS."

The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration." The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing [December 15, 2024]. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal."

The Bonds will be subject to redemption prior to their respective stated maturities as described herein.* See "THE BONDS – Redemption."

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

MATURITY SCHEDULE
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the Underwriters, subject to the respective legal opinions of Nixon Peabody LLP, San Francisco, California, and Husch Blackwell LLP, Oakland, California, Co-Bond Counsel to the City, 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

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED [_____, 2024]

Beach, California, Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by [_____] [_____] California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about [_____, 2024].

[Underwriters]

Dated: [_____, 2024]

MATURITY SCHEDULE

\$(Par Amount)*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1

(Base CUSIP¹ Number: 79773K)

Maturity Date* (June 15)	Principal Amount	Interest Rate	Price/Yield ²	CUSIP ¹ Suffix
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				

* Preliminary, subject to change.

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Underwriters or their agents assume responsibility for the accuracy of such numbers.

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

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

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

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

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

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

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, public health emergencies, such as the COVID-19 pandemic, 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 and are not part of this Official Statement by such references, for purposes of Securities and Exchange Commission Rule 15c2-12.

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Aaron Peskin, Board President, District 3

Connie Chan, District 1
Catherine Stefani, District 2
Joel Engardio, District 4
Dean Preston, District 5
Matt Dorsey, District 6

Myrna Melgar, District 7
Rafael Mandelman, District 8
Hillary Ronen, District 9
Shamann Walton, District 10
Ahsha Safai, District 11

CITY ATTORNEY

David Chiu

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Carmen Chu, City Administrator
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

Nixon Peabody LLP
San Francisco, California

Husch Blackwell LLP
Oakland, California

Co-Municipal Advisors

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Del Rio Advisors, LLC
Modesto, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Stradling Yocca Carlson & Rauth,
A Professional Corporation
Newport Beach, California

Verification Agent

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OFFICIAL STATEMENT

\$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1

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 General Obligation Refunding Bonds, Series 2024-R1 (the “Bonds”). The Board of Supervisors of the City (the “Board of Supervisors”) at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See “SECURITY FOR THE BONDS.”

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City with respect to each series of 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.

THE CITY AND COUNTY OF SAN FRANCISCO

[Section under review / to be updated with Appendix A.]

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 as of January 1, 2023 was 831,703.

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

* Preliminary, subject to change.

“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 resulted in general negative effects on the City’s economy which materially adversely impacted the City’s revenues and increased expenses due to public health responses. During the COVID-19 pandemic, revenue 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, emergency orders have been lifted, and the national and local economy has been improving, 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 has historically been a major convention and tourist destination. However, the COVID-19 pandemic significantly adversely impacted, and may continue to adversely impact, tourism and convention activities 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 2021-22 was \$170,483. The San Francisco Unified School District (“SFUSD”), which is a separate legal entity from the City, operates 73 elementary schools, 13 middle schools, 17 high schools, 47 early education schools, and 3 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the UC College of the Law, San Francisco (formerly University of California Hastings College of the Law), the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the 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. The COVID-19 pandemic significantly adversely impacted tourism and travel in the San Francisco Bay Area. To date, passenger levels have recovered, though they have not yet reached pre-pandemic levels. In fiscal year 2022-23, enplanements were approximately 81.8% of enplanements in fiscal year 2018-19 (prior to the COVID-19 pandemic). 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 initially caused by 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 2023-24 and 2024-25 totals \$14.6 billion and \$14.5 billion, respectively. The General Fund portion of each year's proposed budget is \$6.8 billion in fiscal year 2023-24 and \$7.0 billion in fiscal year 2024-25, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). According to the Controller of the City (the "Controller"), at the start of fiscal year 2023-24, total net assessed valuation of taxable property in the City was approximately \$343.9 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

THE BONDS

Authority for Issuance; Purposes

The Bonds will be issued under the Government Code of the State, the Charter of the City (the "Charter"), and the Administrative Code of the City. The City authorized the issuance of the Bonds in Resolution No. 97-20, adopted by the Board of Supervisors on March 3, 2020 and duly approved by the Mayor of the City on March 13, 2020, as amended by Resolution No. 130-21, adopted by the Board of Supervisors on March 23, 2021 and duly approved by the Mayor on April 2, 2021 (as amended, the "Authorizing Resolution"), and Resolution No. [____], adopted by the Board of Supervisors on [____] and duly approved by the Mayor of the City on [____] (the "Sale Resolution," and together with the Authorizing Resolution, the "Resolution").

The Bonds will be issued to refund certain outstanding general obligation bonds of the City originally issued to fund or refund various capital projects of the City (the "Prior Bonds"). The Prior Bonds are more particularly described under "PLAN OF REFUNDING" herein. Under Section 9.109 of the Charter, no voter approval is required for the authorization, issuance and sale of refunding bonds which are expected to result in net debt service savings to the City on a present value basis. The City will only issue the Bonds if doing so results in net debt service savings to the City on a present value basis.

Proceeds of the Bonds will also be used to pay certain costs associated with the issuance of the Bonds and the refunding of the Prior Bonds. See "PLAN OF REFUNDING" and "SOURCES AND USES OF FUNDS."

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in denominations of \$5,000 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 (as defined below) 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." The City may treat the Registered Owner of the Bonds as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

Payment of Interest and Principal

The Treasurer of the City will act as paying agent and registrar with respect to the Bonds. Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing [December 15, 2024], at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprising twelve 30-day months. 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 Paying Agent as the registered owner thereof (the “Registered Owner”) as of the close of business on the last day of the month immediately preceding an interest payment date (the “Record Date”), whether or not such day is a business day. Each Bond authenticated on or before November 30, 2024 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 at its stated rate 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 if the first interest payment is not made.

The Bonds will mature on the dates shown on the inside cover page hereof. The Bonds are subject to redemption prior to their respective stated maturity dates as provided herein.* See “– Redemption” below. The principal of the Bonds will be payable in lawful money of the United States to the Registered Owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the Paying Agent.

The Registered Owner of an aggregate principal amount of at least \$1,000,000 of the Bonds may submit a written request to the Paying Agent on or before a Record Date preceding an interest payment date for payment of interest by wire transfer to a commercial bank located within the United States of America. For so long as the Bonds are held in book-entry form by a securities depository selected by the City pursuant to the Resolution, payment may be made to the Registered Owner of the Bonds designated by such securities depository by wire transfer of immediately available funds.

Redemption*

Optional Redemption

The Bonds maturing on or before June 15, 20[] will not be subject to optional redemption prior to their respective stated maturities. The Bonds maturing on and after June 15, 20[] will be subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date on or after June 15, 20[], at 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.

Selection of Bonds for Redemption

Whenever less than all the outstanding Bonds maturing on any one date are called for redemption on any one date, the City Treasurer will select the Bonds or portions thereof, in denominations of \$5,000 or any integral multiple thereof, to be redeemed from the outstanding Bonds maturing on such date not previously selected for redemption, by lot in any manner which the City Treasurer in its sole discretion deems fair.

* Preliminary, subject to change.

Notice of Redemption

The City Treasurer will mail, or cause to be mailed by its agent, including but not limited to an escrow agent, notice of any redemption of the Bonds, postage prepaid, to the respective Registered Owners thereof at the addresses appearing on the bond registration books not less than 20 nor more than 60 days prior to the Redemption Date.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the Bonds of such maturity to be redeemed, and in the case of a Bond redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each Bond to be redeemed; (e) require that such Bonds be surrendered by the owners at the office of the Paying Agent or his or her agent; and (f) give notice that interest on such Bonds will cease to accrue after the designated Redemption Date.

Unless funds are on deposit in the Redemption Account for any Bonds (the “Redemption Account”) called for redemption on the date the notice of redemption is given, redemption will be conditioned on sufficient moneys to redeem such Bonds being on deposit in the Redemption Account for the Bonds called for redemption on the Redemption Date, and if sufficient moneys to redeem the Bonds called for redemption are not on deposit in the Redemption Account for such Bonds on the redemption date, the Bonds called for redemption will not be redeemed and will remain Outstanding for all purposes of the Resolution and the redemption not occurring will not constitute an event of default under the Resolution. See “– Conditional Notice; Right to Rescind Notice of Optional Redemption” below.

The actual receipt by the Registered 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 so mailed, 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, substantially as described above, the Bonds designated for redemption will become due and payable on the Redemption Date (subject to the condition set forth above under the heading “– Notice of Redemption” and below under the heading “– Conditional Notice; Right to Rescind Notice of Optional Redemption”), and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, those Bonds will be redeemed and paid at said redemption price out of the 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 such Redemption Account. All Bonds redeemed will be cancelled by the Paying Agent and will not be reissued. Moneys held in the Redemption Account will be invested by the City Treasurer pursuant to the City’s policies and guidelines for investment of moneys in the General Fund of the City. See Appendix C – “CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER INVESTMENT POLICY.”

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit in the Redemption Account of sufficient moneys to redeem the applicable Bonds called for redemption on the anticipated Redemption Date, or (ii) any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given substantially as provided above and on the scheduled Redemption Date (i) sufficient moneys to redeem the applicable Bonds have not been deposited in the Redemption Account 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 and will remain

Outstanding for all purposes of the Resolution and the redemption not occurring will not constitute an Event of Default under the Resolution.

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

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, provided that in the case of the portion of Bonds that are to be redeemed prior to such Bonds' respective stated maturities and for which notice of such redemption has been given as described above or an irrevocable election to give such notice has 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 any, as will, without reinvestment, as certified by an independent certified public accountant, to be sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and premium, if any, due on the portion of the Bonds to be paid or redeemed, as such principal, premium, if any, and interest come due; provided, that, in the case of the Bonds that are to be redeemed prior to maturity, irrevocable notice of such redemption will be given as described above or an irrevocable election to give such notice has been made by the City; then, upon the deposit described in (a) or (b) above, all obligations of the City with respect to said 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 Registered Owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to such Bonds; provided, that the City shall have received, if desirable, an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolution.

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

"Defeasance Securities" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent thereof has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash) in the escrow fund for such municipal obligation 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 a trustee or other escrow agent; (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 for the applicable Series of Bonds to be refunded, 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 which is selected by the Director of Public Finance and which is rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of the initial deposit to the escrow fund for the applicable Series of Bonds to be refunded, and upon any substitution or subsequent deposit to the escrow fund, by any two Rating Agencies not lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

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

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PLAN OF REFUNDING

[Section to be updated as necessary.]

The City plans to use the proceeds of the Bonds to redeem the following outstanding general obligation bonds of the City (collectively, the “Prior Bonds”):

Description of Bonds*	Issue Date	Original Par Amount	Current Total Par Amount Outstanding	Par Amount to be Refunded*	Redemption Date*	Redemption Price
General Obligation Refunding Bonds, Series 2015-R1	2/25/2015	\$293,910,000	\$164,190,000			100.00%
General Obligation Bonds, Series 2015B	7/14/2015	67,005,000	33,740,000			100.00
General Obligation Bonds, Series 2016A	2/2/2016	8,595,000	5,735,000			100.00
General Obligation Bonds, Series 2016B	2/2/2016	43,220,000	18,620,000			100.00
General Obligation Bonds, Series 2016C	4/20/2016	25,215,000	17,190,000			100.00
General Obligation Bonds, Series 2016D	4/20/2016	109,595,000	58,000,000			100.00
General Obligation Bonds, Series 2016E	4/20/2016	44,145,000	30,095,000			100.00
Total		\$591,685,000	\$327,570,000			

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds plus amounts transferred by the City from funds on hand will be applied to the purchase of certain securities (“Initial Government Securities”) or held in cash. The Initial Government Securities will be held by [____], as escrow agent (the “Escrow Agent”), and will mature at such times and in such amounts so that, together with cash held by the Escrow Agent, sufficient moneys will be available to redeem the Prior Bonds described above at the principal amount thereof, together with the interest accrued thereon to, but not including, their respective redemption dates.

Neither the maturing principal of such Initial Government Securities nor the interest income thereon will be available to pay the Bonds. See “SOURCES AND USES OF FUNDS” and “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein.

* Preliminary, subject to change. The Prior Bonds will be determined based on market conditions and at the City’s discretion at the time of pricing.

SOURCES AND USES OF FUNDS

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

Sources

Principal Amount of Bonds
Original Issue Premium
Funds related to the Prior Bonds
Total Sources of Funds

Uses

Refunding of the Prior Bonds
Underwriters' Discount
Costs of Issuance⁽¹⁾
Total Uses of Funds

⁽¹⁾ Includes fees for services of rating agencies, the Co-Municipal Advisors, Co-Bond Counsel, Co-Disclosure Counsel and the Verification Agent, costs of the City, and other miscellaneous costs associated with the issuance of the Bonds and refunding of the Prior Bonds.

Deposit and Investment of Bond Proceeds

Any proceeds of the Bonds not needed for the redemption of the Prior Bonds will be transferred to the bond fund established for and attributable to the Bonds (the "Bond Fund"), and all taxes levied for payment of the Bonds will be deposited upon collection by the City into the Bond Fund, and such funds will be used for the payment of the principal of and interest on the Bonds (collectively, the "Debt Service"). The City Treasurer will transfer from the Bond Fund any amounts necessary to pay the Debt Service on the Bonds on each interest payment date. With the consent of the Director of Public Finance of the City, all moneys on deposit in the Costs of Issuance Fund twelve months after issuance of the Bonds will be transferred to the Bond Fund and applied to pay interest on the Bonds. All moneys held by the City Treasurer in the Bond Fund will be invested in any investment of the City in which moneys of the General Fund of the City are invested. The City Treasurer may commingle any of the moneys held in the Bond Fund with other City moneys for investment purposes only; provided, however, that all of the moneys held in the Bond fund will be accounted for separately notwithstanding any such commingling by the City Treasurer. The Bond Fund will be separate from any other bond funds created under the Authorizing Resolution, and funds deposited into the Bond Fund will not be available to pay debt service on any other series of bonds authorized or issued under the Authorizing Resolution. See Appendix C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER INVESTMENT POLICY."

DEBT SERVICE SCHEDULES

The scheduled debt service payable with respect to the Bonds is as follows:

**Scheduled Debt Service on the
City and County of San Francisco
General Obligation Refunding Bonds
Series 2024-R1**

[illegible]

(1) Totals reflect rounding to nearest dollar.

SECURITY FOR THE BONDS

General

The Resolution provides that for the purpose of paying the principal of and interest on the Bonds, the City at the time of fixing the general tax levy will continue to fix, and in the manner provided for such general tax levy, levy and collect taxes annually each year until all outstanding Bonds have been paid, or provision for their payment has been made in accordance with the Resolution; provided, however, that if the City expects to sell any Bonds at such time that the principal of or interest on such Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City, at the time of fixing the annual tax levy, may adjust the tax levy in an amount sufficient to pay that portion of the principal of and interest on such Bonds which it expects will become due before the proceeds of the next succeeding tax levy will be available. Said tax will be in addition to all other taxes levied for City purposes and will be collected at the same time and in the same manner as other taxes of the City are collected. 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 the Resolution, the City will pledge the proceeds of the tax levied to pay the Bonds as security for the Bonds and the interest thereon. See “– Pledge” 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.

Under the Resolution, 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 Resolution and that should not be considered available to pay debt service on the Bonds.

Pledge

Pursuant to the Resolution, the City will pledge the proceeds of the tax levied to pay the Bonds as security for the Bonds and the interest thereon, and the Treasurer is directed to deposit the proceeds of the aforementioned taxes into the Bond Fund. So long as any Bonds are Outstanding, moneys in the Bond Fund will be used solely for the purpose of paying the principal of and interest on the Bonds when and as the same become due and payable. In addition, the payment of such principal and interest will be secured by the statutory lien of California Government Code Section 53515. See “– Statutory Lien on Taxes (Senate Bill 222)” below.

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 2023-24, the total net assessed valuation of taxable property within the City was approximately \$343.9 billion. For additional information on the property taxation system, assessed values and appeals to assessed values, see Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation.”

Local property taxation is the responsibility of various City officers. The Assessor-Recorder computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article 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 \$343.9 billion total net assessed valuation of taxable property within the City at the start of fiscal year 2023-24, \$326.4 billion (94.9%) represents secured valuations and \$17.5 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. See “CERTAIN RISK FACTORS – Factors Affecting Property Tax Security for the Bonds” below. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. See Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – General Fund Revenues – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies.”

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

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

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

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

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

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

Taxation of Utility Property. A portion of the City’s total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions assessed as part of a “going concern” rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special

county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2023-24 valuation of property assessed by the State Board of Equalization is \$[_____] billion.

CERTAIN RISK FACTORS

The Resolution provides 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 Resolution, 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 Resolution 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 2023-24 is approximately \$343.9 billion, compared to \$328.5 billion in fiscal year 2022-23. 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, [2023], no single assessee’s parcel comprised more

than [_____] % 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 2023-24 is approximately \$[10.3] billion, based on a net total assessed valuation of approximately \$343.9 billion. As of [_____] , 2023, the City had outstanding approximately \$[_____] billion in aggregate principal amount of general obligation bonds, which equals approximately [_____] % of the net assessed valuation for fiscal year 2023-24. 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 [_____] , 2023, the City had voter approval to issue up to approximately \$[_____] 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 \$38.0 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.

City Financial Challenges

[Section under review / to be updated with Appendix A.]

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 impact of 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. During the COVID-19 pandemic, revenue 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 “– General Fund Revenues – Property Taxation – Tax Levy and Collection” and “Public Health Emergencies” below.

Further, the City is facing material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospital and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions. See APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues.” Additionally, the City’s housing market remains sluggish, with condominium prices falling faster in the City than Statewide. The Original Budget for fiscal years 2023-24 and 2024-25 reflects continuing but slow economic recovery from the COVID-19 pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.

Significant capital investments are proposed in the City’s adopted 10-year capital plan. The City’s most recent adopted 10-year capital plan sets forth approximately \$41.4 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the

City's physical infrastructure. As a result, over \$6.7 billion in capital needs, including enhancements, are deferred from the capital plan's 10-year horizon.

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

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

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

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 October 1, 2023, 92% of the buildings have been brought into compliance. Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development. *[To be updated.]*

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. 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 San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change

adaptation. In July 2018, the United States District Court for the Northern District of California denied the People’s motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court’s order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit’s decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. The defendants have appealed the District Court’s decision to the Ninth Circuit. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies. *[To be reviewed and updated before posting.]*

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

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

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

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems

(collectively, “Systems Technology”). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents which have resulted in or could have resulted in adverse consequences to the City’s Systems Technology and required a response action to mitigate the consequences. 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 and actions to contain its spread have had significant adverse health and financial impacts throughout the world, including the City. See Appendix A – “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Public Health Emergency – COVID-19.”

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 economic effects of the COVID-19 pandemic are uncertain in many respects. The COVID-19 pandemic has had and may continue to have material adverse impacts on the City’s economy and certain aspects of the City’s financial condition. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the City’s operations and finances.

Limitation on Remedies; Bankruptcy

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

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the City were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the City (including *ad valorem* tax revenues) or 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 Factors

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

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

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

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax Certificate executed by the City in connection with the Bonds and dated the date of their issuance (the "Tax Certificate"), the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Resolution and the Tax Certificate.

In the opinion of Nixon Peabody LLP and Husch Blackwell LLP, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the City described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. For taxable years beginning after December 31, 2022, interest on the Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

State Taxes

Co-Bond Counsel are also of the opinion that interest on the Bonds is exempt from State of California personal income taxes. Co-Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount

Co-Bond Counsel are further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are “Premium Bonds.” An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property

and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel are not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Co-Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

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 Nixon Peabody LLP, San Francisco, California and Husch Blackwell LLP, Oakland, California, Co-Bond Counsel to the City. The proposed form of the legal opinions of Co-Bond Counsel in connection with the delivery of the Bonds is set forth in Appendix F. The opinions of Co-Bond Counsel will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

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

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, 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. On the Initial Closing Date, Co-Disclosure Counsel will each deliver a letter to the City which will advise 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 Initial Closing Date 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. On the Settlement Date, Co-Disclosure Counsel will each deliver a letter to the City which will advise 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 the Updated Official Statement as of its date and as of the Settlement Date contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Co-Disclosure Counsel's having acted in the role of co-disclosure counsel to the City.

Certain legal matters will be passed upon for the Underwriters by their counsel, [____], [____], California.

PROFESSIONALS INVOLVED IN THE OFFERING

Fieldman, Rolapp & Associates, Irvine, California and Del Rio Advisors, LLC, Modesto, California served as Co-Municipal Advisors to the City with respect to the sale of the Bonds. The Co-Municipal Advisors have 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 Co-Municipal Advisors have not independently verified any of the data contained herein nor conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Bond Counsel, Co-Disclosure Counsel and Underwriters' Counsel will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the Initial Government Securities and the cash held by the Escrow Agent to provide for the payment, when due, of the redemption price and interest with respect to the Prior Bonds to their Redemption Date will be verified by [____] (the "Verification Agent"). The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds. See "PLAN OF REFUNDING" above.

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.

CONTINUING DISCLOSURE

The City will covenant in separate undertakings each dated the date of issuance of the related series of Bonds, for the benefit of the holders and beneficial owners of the Bonds, to provide certain financial information and operating data relating to the City (the “Annual Report”) not later than 270 days after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2023-24, which is due not later than March __, 2025, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system (“EMMA”) 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 will be made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

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

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

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

UNDERWRITING

The City has entered into a purchase contract with [] (as representative on behalf of itself and on behalf of [] (collectively, the “Underwriters”)) pursuant to which the Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at the purchase price of \$ (being the principal amount of the Bonds, plus original issue premium of \$ and less an Underwriters’ discount of \$). The Underwriters are obligated under the purchase contract to purchase all of the Bonds if any are purchased.

The following paragraphs have been provided by and are being included in this Official Statement at the request of the respective Underwriters. The City does not assume any responsibility for the accuracy or completeness of such statements or information.

[UW distribution language to come.]

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City in connection with such activities. In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices shown on the inside cover of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or Registered 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

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

APPENDIX C

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$(Par Amount)
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City and County of San Francisco (the “City”) in connection with the issuance of the bonds captioned above (the “Bonds”). The Bonds are issued pursuant to Resolution No. 97-20, adopted by the Board of Supervisors of the City on March 3, 2020 and duly approved by the Mayor of the City on March 13, 2020 (as amended by Resolution No. 130-21, adopted by the Board of Supervisors on March 23, 2021 and duly approved by the Mayor on April 2, 2021), and Resolution No. _____ adopted by the Board of Supervisors of the City on _____ and duly approved by the Mayor of the City on _____ (collectively, the “Resolution”).

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

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

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

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

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send 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) a 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
- (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 Resolution.

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. Default. 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, including seeking mandate or specific performance by court order, 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. 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: _____

CITY AND COUNTY OF
SAN FRANCISCO

Benjamin Rosenfield
Controller

Approved as to form:

DAVID CHIU
CITY ATTORNEY

By: _____
Deputy City Attorney

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 OBLIGATION REFUNDING BONDS
SERIES 2024-R1

Date of Issuance: _____

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 _____. 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 E. 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 E, “Securities” means the Bonds, “Issuer” means the City, and “Agent” means the City Treasurer, acting as 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 each maturity of the Securities, 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 is rated “AA+” by Standard & Poor’s. 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. The information presented on each website is **not** incorporated by reference as part of this Official Statement.

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 of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity 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 MALI 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

Upon issuance of the Bonds, Nixon Peabody LLP, and Husch Blackwell LLP, Co-Bond Counsel, propose to render their final approving opinion in substantially the following form:

[Closing Date]

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

Re: \$[Par Amount] City and County of San Francisco General Obligation Refunding Bonds,
Series 2024-R1

\$(Par Amount)
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1

PURCHASE CONTRACT

[Sale Date]

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

Ladies and Gentlemen:

The undersigned [Representative] (“Representative”), on its own behalf and as representative of [Underwriters] (“Underwriters”), offers to enter into the following agreement with the City and County of San Francisco (“City”). Upon the acceptance of this offer by the City, this Purchase Contract will be binding upon the City and the Underwriters. This offer is made subject to the acceptance of this Purchase Contract by the City on or before 5:00 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters’ obligation to purchase the general obligation bonds captioned above (“Bonds”) is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 12(b) hereof, and the City shall be free to sell the Bonds to any other party.

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

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

The Bonds shall be dated the date of delivery thereof and shall have the maturities, subject to the right of 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 \$[Purchase Price], calculated as the aggregate principal amount of the Bonds in the amount of \$(Par Amount), less an aggregate underwriters’ discount in the amount of \$[Underwriter’s Discount].

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 (as defined below).

On the date hereof, the Representative has delivered to Wilmington Trust, as custodian (in such capacity, the "Custodian"), for the benefit of the City, a good faith deposit for the Bonds in the amount of \$[] in immediately available funds (the "Good Faith Deposit") by wire transfer. If the City does not accept this offer on or before 5:00 P.M. California time on the date hereof, the City shall promptly return the Good Faith Deposit to the Representative. If it accepts this offer, the Custodian shall hold the Good Faith Deposit in cash, uninvested, until [] (the "Closing Date") in accordance with the terms and conditions of the Custody Agreement, dated as of [] (the "Custody Agreement"), by and between City and the Custodian. Upon the delivery of the Bonds by the City on the Closing Date, (i) the Custodian shall transfer the Good Faith Deposit to the Escrow Bank (as defined below) for deposit and application in accordance with the terms thereof, and (ii) the Underwriters shall pay the City the entire purchase price of the Bonds less the Good Faith Deposit. If the City fails to deliver the Bonds on the Closing Date, or if the City shall be unable to satisfy the conditions of the obligations of the Underwriters set forth in this Purchase Contract (unless waived by the Underwriters), or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, the City shall cause the Custodian to promptly return the Good Faith Deposit to the Representative and such return shall constitute a full release and discharge of all claims and rights hereunder of the Underwriters against the City. If the Underwriters fail (other than for a reason permitted herein) to accept delivery of and to pay for the Bonds on the Closing Date as herein provided, the City shall retain the Good Faith Deposit as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in this paragraph, neither party shall have any further rights against the other hereunder. No interest shall be paid by the City upon the principal amount of the Good Faith Deposit.

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Bonds, dated [POS Date] (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 Corporation 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 (as defined herein)) with a reasonable number of copies of the Official Statement in the form of the Preliminary Official Statement with such changes thereto as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative, for distribution. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the 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 (as defined herein), the Official

Statement with Municipal Securities Rulemaking Board Rule G-32 (“MSRB”), or its designees. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 3. The Bonds and City Documents. The Bonds shall be as described in and shall be issued and secured under the provisions of the following resolutions (the “Resolutions”):

- Resolution No. 97-20 entitled “Resolution authorizing the issuance from time to time on a tax-exempt or taxable basis, in one or more series, of not to exceed \$1,482,995,000 aggregate principal amount of the City and County of San Francisco General Obligation Refunding Bonds (Bonds), including an initial Series or Series of such Bonds in an aggregate principal amount not to exceed \$255,000,000 to be designated as “City and County of San Francisco General Obligation Refunding Bonds, Series 2020-R1” (Series 2020-R1 Bonds), to refund certain outstanding General Obligation Bonds of the City (Prior Bonds); approving the form and terms of said Bonds; providing for the appointment of Depositories, Verification Agents and other Agents for said Bonds; approving the form and authorizing the execution and delivery of Escrow Agreement(s) relating to the Prior Bonds; approving and directing the tax levy for repayment of said Bonds; approving procedures for competitive or negotiated sales including approving forms of Official Notice of Sale and Notice of Intention to Sell said Bonds and authorizing the selection of Underwriter(s) and the execution and delivery of Continuing Disclosure Certificates; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement for the Series 2020-R1 Bonds; authorizing payment of Costs of Issuance of said Bonds; approving modifications to documents; ratifying actions previously taken; and granting general authority to City Officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Bonds, including the Series 2020-R1 Bonds and the Prior Bonds” adopted by the Board of Supervisors of the City (the “Board of Supervisors”) on March 3, 2020, and duly approved by the Mayor of the City on March 13, 2020;
- Resolution No. 130-21 entitled “Resolution approving the issuance and sale of not to exceed \$220,000,000 aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2021-R1 and City and County of San Francisco General Obligation Refunding Bonds, Series 2021-R2 to refund certain outstanding General Obligation Bonds of the City; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing execution, delivery and distribution of the Official Statement relating to the sale of said bonds; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein” adopted by the Board of Supervisors on March 23, 2021, and duly approved by the Mayor of the City on April 2, 2021;
- Resolution No. 110-22, entitled “Resolution approving the issuance and sale of not to exceed \$385,000,000 aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2022-R1, to refund certain outstanding

General Obligation Bonds of the City and County of San Francisco; approving the form and authorizing the execution and delivery of an Escrow Agreement relating to certain Prior Bonds; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement relating to the sale of said bonds; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds” adopted by the Board of Supervisors on April 5, 2022, and duly approved by the Mayor of the City on April 7, 2022; and

- Resolution No. [] entitled “Resolution approving the issuance and sale of not to exceed \$[] aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2024-R1, to refund certain outstanding General Obligation Bonds of the City and County of San Francisco; approving the form and authorizing the execution and delivery of an Escrow Agreement relating to certain Prior Bonds; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement relating to the sale of said bonds; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds” adopted by the Board of Supervisors on [], 2024, and duly approved by the Mayor of the City on [], 2024.

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

Section 5. Purpose of the Bonds. The Bonds are being issued for the purpose of providing funds to (a) defease and refund the following bonds of the City [] (collectively, “Refunded Bonds”), and (b) pay costs related to the issuance of the Bonds and the refunding of the Refunded Bonds. On the Closing Date, a portion of the proceeds of the Bonds, including the Good Faith Deposit to be transferred by the Custodian to the Escrow Bank (defined below) will be deposited into an escrow fund held by Wilmington Trust, as escrow bank (in such capacity, the “Escrow Bank”), under an Escrow Agreement dated as of [], 202[] (the “Escrow Agreement”), by and between the City and the Escrow Bank.

This Purchase Contract, the Escrow Agreement, the Custody Agreement and the Continuing Disclosure Certificate (as defined herein) 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 execution and delivery of the Bonds on its part contained in the Resolutions and the City Documents.

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

(c) From the date of delivery of the Official Statement up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12), the Official Statement (except for information regarding DTC and its book-entry only system, as to which the City expresses no view) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date, unless the Underwriters notify the City to the contrary on or prior to such date.

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

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

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

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

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

(h) The City will furnish such information, execute such instruments and take such other action not inconsistent with law or established policy of the City in cooperation

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

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

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission having jurisdiction 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, 20[22], set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

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

(m) The City will undertake, pursuant to the Resolutions and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain 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. The City has been and is in compliance 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 \$[Par 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 agree to make a bona fide public offering of all the Bonds, at prices not in excess of the initial public offering prices as set forth in the Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover of the Official Statement. Each of the Underwriters will provide, consistent with the requirements of MSRB, for the delivery of a copy of the Official Statement to each customer who purchases a 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, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as **Exhibit D**, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Co-Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices of the Bonds to the public.

(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.

The City acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter 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, 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 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, 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 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the 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.

(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 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, to:

(A)(i) report the prices at which it sells to the public the unsold Bonds of any 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) 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), and

(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 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 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 until it is notified by the Representative or the Underwriter or dealer that the 10% test has been satisfied as to 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 Underwriters acknowledge that sales of any Bonds to any person that is a related party to an Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “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,

(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 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 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 Bonds to the public),

(iii) a purchaser of any of 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 [_____] a.m., California time, on [closing date], or at such other time as shall have been mutually agreed upon by the City and the Representative (the “Closing Date”), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Bonds duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 11(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Bonds set forth in Section 1.

Payment for the delivery of the Bonds shall be coordinated through the Controller’s Office of Public Finance of the City, in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is referred to herein as the “Closing.” The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Bonds, but neither the failure to print any such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Bonds in accordance with the terms of this Purchase Contract. Physical delivery of the Bonds shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Bonds will be made available to the Representative for checking not less than 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 representations and warranties of the City herein shall be true, complete and correct on the date thereof and on and as of the Closing Date, as if made on the Closing Date;

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

(c) (1) the Underwriters shall have the right to cancel their obligation to purchase the 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 Co-Disclosure Counsel (both as hereinafter defined), either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to

make the statements and information contained therein not misleading in any material respect;

(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;

(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; or

(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;

(2) 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 such an occurrence 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 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;

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

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

(2) 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 solely to the City substantially in the form acceptable to Underwriters' Counsel;

(5) opinions of Nixon Peabody LLP and Husch Blackwell LLP ("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 C**;

(7) a Negative Assurance Letter from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth LLP ("Co-Disclosure Counsel"), addressed and in form and substance acceptable to the City and the City Attorney, with a reliance letter to the Representative;

(8) an opinion of counsel to the Escrow Bank, addressed to the City and Underwriters and dated the Closing Date, in form and substance satisfactory to the Underwriters and Co-Bond Counsel;

(9) a defeasance opinion, dated the Closing Date, of Co-Bond Counsel with respect to the Refunded Bonds;

(10) a verification report issued by Robert Thomas CPA, LLC regarding the sufficiency of the securities and cash on deposit in the Escrow Fund (as defined in the Escrow Agreement) to pay the redemption prices of and the debt service due on the Refunded Bonds;

(11) a certificate of the Escrow Bank, dated the Closing Date, signed by a duly authorized officer of the Escrow Bank, to the effect that (i) the Escrow Bank has all necessary power and authority to enter into and perform its duties under the Escrow Agreement; (ii) the Escrow Bank has duly authorized, executed and delivered the Escrow Agreement, and, assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement constitute the valid and binding agreement of the Escrow Bank enforceable against the Escrow Bank in accordance with its terms, except as enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and to the application of equitable principles; (iii) the execution and delivery of the Escrow Agreement and compliance with the provisions thereof have been duly authorized by all necessary corporate action on the part of the Escrow Bank and, to the best knowledge of the Escrow Bank, will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, bylaws or any agreement to which the Escrow Bank is subject or by which it is bound; (iv) the Escrow Bank has complied in all respects with the covenants and agreements contained in the Escrow Agreement, as of the date thereof; (v) all approvals, consents and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Escrow Bank of its duties and obligations under the Escrow Agreement have been obtained and are in full force and effect as of the date hereof; (vi) the Escrow Agreement were duly executed and delivered by a duly authorized officer of the Escrow Bank; and (vii) no litigation is pending or, to the best knowledge of the Escrow Bank, threatened (either in state or federal courts) against the Escrow Bank in any way contesting or affecting the validity or enforceability of the Escrow Agreement;

(12) an opinion of [underwriters' counsel] ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

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

(14) evidence satisfactory to the Representative that Moody's Investors Service, Inc., Standard & Poor's Global Ratings, and Fitch Ratings have assigned ratings to the Bonds set forth in the Preliminary Official Statement;

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

(16) an executed Custody Agreement and Escrow Agreement; and

(17) 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 (d)(9) 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 12 of this Purchase Contract shall continue in full force and effect.

Section 12. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 12(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 and Del Rio Advisors, LLC as co-municipal advisors to the City; (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Bonds; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Bonds. The City shall pay for expenses incurred on behalf of its employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation, and lodging of those employees.

(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; 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.

Section 13. Notices. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to the City at the address set forth above and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to the Representative at the address set forth below:

[_____]

Section 14. 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 15. Mandatory City Contracting Provisions. The provisions set forth in **Exhibit A**, attached hereto, are incorporated herein by this reference.

Section 16. Invalid or Unenforceable Provisions. In the event that any provision of this Purchase Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Purchase Contract.

Section 17. 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 18. 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 19. Arm's Length Transaction. The City acknowledges that (a) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm's-length, commercial transaction between the City and the Underwriters, (b) in connection with such transaction and the discussions, undertakings and procedures leading thereto, each Underwriter is acting solely as a principal and not as a municipal advisor, financial advisor, agent or fiduciary of the City and may have financial and other interests that differ from those of the City, irrespective of whether any Underwriter has provided other services or is currently providing other services to the City on

other matters; and (c) the City has consulted with its own legal and financial advisors in connection with the offering of the Bonds.

Section 20. 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 21. Headings. The section headings in this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 22. This Purchase Contract shall become effective upon execution of the acceptance of this Purchase Contract by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

[UNDERWRITERS]

By: [REPRESENTATIVE], as Representative

By: _____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Greg Wagner
Controller

ACCEPTED at __ p.m. Pacific Time this __ day of __, 202[]

APPROVED AS TO FORM:

DAVID CHIU,
CITY ATTORNEY

By: _____
KENNETH ROUX
Deputy City Attorney

SCHEDULE I

<u>Maturity Date</u> <u>([June 15])</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
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REDEMPTION PROVISIONS

Optional Redemption of the Bonds

The Bonds maturing on or before [____], 202[] will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after [____], 202[] 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 [____], 202[], 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 (respectively, “Chapter 12B” and “Chapter 12C”). 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 ("Section 1.126), 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 (a) 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, (b) a candidate for the office held by such individual, or (c) 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 ("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 ("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 (“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 (“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 ("Chapter 83"), 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

\$[_____]
**CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2024-R1**

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 refunding bonds captioned above (“Bonds”):

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (the “State”), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the Resolutions, the Purchase Contract, dated [____], 202[] (the “Purchase Contract”), executed by [Representative], on its own behalf and as representative of [the Underwriters], the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) executed by the City, and the Escrow Agreement, dated as of [____], 202[] (the “Escrow Agreement”), by and between the City and Wilmington Trust, National Association, as Escrow Bank. The Purchase Contract, the Continuing Disclosure Certificate and the Escrow Agreement are sometimes collectively referred to in this Certificate as the “City Documents.” Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The 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 adopted the Resolutions and authorized the execution and delivery of the City Documents and the Official Statement, has duly executed and delivered the City Documents and the Official Statement, and is authorized to perform the obligations on its part to be performed under the City Documents and the Resolutions; and each of the City Documents constitutes the legal, valid and binding obligation of the City enforceable against the City in accordance with its respective terms, except as enforceability thereof may be limited by the application of laws affecting bankruptcy, insolvency, moratorium, or similar laws affecting creditors’ rights generally, the application of equitable principles, the exercise of judicial discretion in certain cases and the limitations on legal remedies against charter cities and counties.

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 Resolutions or the performance

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

[Remainder of Page Intentionally Left Blank]

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

Dated: _____, 202[].

CITY AND COUNTY OF SAN FRANCISCO

By: _____
London N. Breed
Mayor

CITY AND COUNTY OF SAN FRANCISCO

By: _____
Greg Wagner
Controller

CITY AND COUNTY OF SAN FRANCISCO

By: _____
José Cisneros
Treasurer

EXHIBIT C

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

[Closing Date]

City and County of San Francisco
San Francisco, California

[Representative]

Re: City and County of San Francisco General Obligation Refunding Bonds, Series
2024-R1

Ladies and Gentlemen:

We have examined the Resolutions, the Official Statement relating to the Bonds, dated [Sale Date] (the “Official Statement”), and such other certified proceedings, certificates and other papers as we deem necessary to render this opinion. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

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

1. The delivery of the Official Statement has been duly authorized and approved by the City.
2. The statements set forth in the Official Statement under the captions “THE BONDS,” “SECURITY FOR THE BONDS – General,” and “TAX MATTERS,” insofar as such statements expressly purport to summarize certain provisions of the Bonds and our opinion concerning the Bonds, are accurate in all material respects.
3. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended.
4. The Purchase Contract dated as of [Sale Date], between the City and [Representative], on its own behalf and as representative of [Undewriters], has been duly authorized, executed and delivered by the City and is enforceable against the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles.

We express no view herein with respect to the laws of any jurisdiction other than the State of California and the Federal law of the United States of America (other than tax laws, as to which no view is expressed).

We are furnishing this letter in our capacity as co-bond counsel to, and at the request of, the City, and not as counsel to any other address hereof. This opinion is for its benefit as such and is not to be used, circulated, published, quoted or otherwise referred to or relied upon by any person other than the City without our prior written consent. This opinion is not intended to, and may not, be relied upon by owners of the Bonds.

This opinion is given as of the date hereof, is based upon the laws in effect on the date hereof and is subject to any change in such laws, including judicial and administrative interpretations thereof, which may occur or be reported subsequent to the date hereof. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted therefrom. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

EXHIBIT D
FORM OF ISSUE PRICE CERTIFICATE

[TO COME]

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 Certificates.

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 City is facing material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospitality and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions.

The Original Budget for fiscal years 2023-24 and 2024-54 (the “FY24 & FY25 Original Budget”) was approved by the Board of Supervisors on July 25, 2023 and signed by the Mayor on July 27, 2023. 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 “GENERAL FUND REVENUES – PROPERTY TAXATION – Tax Levy and Collection” for additional detail.

The FY24 & FY25 Original Budget reflects continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City. The budget relies heavily on one-time funds to support operations during the two-year budget period.

The FY24 & FY25 Original Budget was based in large part on revenue assumptions contained in the fiscal year 2023-24 Nine-Month Budget Status Report (the “Nine-Month Report”) (issued in May 2023), which assumed continuing economic recovery in fiscal years 2023-24 and 2024-25. Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow during the coming two years, but in most cases are expected to remain below pre-pandemic levels. The continuity of remote work and high interest rates are projected to continue to have significant adverse impacts on the City’s property, business, and property transfer taxes. On August 1, 2023, the Controller issued a report on the status of the City economy for July 2023. The Controller’s report noted that the local labor market remained strong, as the San Francisco Metropolitan Area added 8,400 jobs in June, after adding 8,800 in May, with the technology sector driving job growth. These gains largely offset the technology sector layoffs of late 2022/early 2023. The Controller’s report also indicated that there was little sign of recovery in the downtown office market; office vacancy rose in the second quarter of 2023, while rents, office attendance, and downtown transit ridership were largely flat. Additionally, the City’s housing market also remained sluggish, with condo prices falling faster in San Francisco than Statewide. These factors 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. 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.

On June 12, 2023, the City Controller issued the “FY 2023-24 and FY 2024-25 Revenue Letter” (the “Revenue Letter”). In the Controller Revenue Letter, the Controller found the revenue assumptions in the FY24 & FY25 Original Budget to be reasonable, but cautioned they are highly dependent on conditions in the local economy, will require frequent monitoring, and are subject to updates as conditions change. The

Controller Revenue Letter also noted the FY24 & FY25 Original Budget relies heavily on one-time funds to support operations during the two-year budget period, and a structural gap in excess of \$500 million is likely to persist following the exhaustion of those funds. See “CITY BUDGET – Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter” for more information.

On October 11, 2023 the Mayor’s Office issued instructions for mid-year cuts in departmental General Fund budgets in October and November 2023. This current fiscal year saving strategy is intended to achieve onetime and ongoing savings that will reduce projected budget deficits in future fiscal years. While the City is not aware of material weakness in the current year budget, this plan would also provide a financial hedge should such variances occur as the current fiscal year progresses.

Potential reductions include eliminating non-essential vacant positions, reducing grants and contracts, and shifting General Fund expenditures to other sources. A full update to the Five Year Financial plan and budget instructions from the Mayor’s Office to departments for the FY25 & FY26 budgets will follow in December 2023.

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 twenty one 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.

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	2027
Aaron Peskin, Board President, <i>District 3</i>	2015	2025
Joel Engardio, <i>District 4</i>	2023	2027
Dean Preston, <i>District 5</i>	2019	2025
Matt Dorsey, <i>District 6</i>	2022	2027
Myrna Melgar, <i>District 7</i>	2021	2025
Rafael Mandelman, <i>District 8</i>	2018	2027
Hillary Ronen, <i>District 9</i>	2017	2025
Shamann Walton, <i>District 10</i>	2019	2027
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. 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 FY24 & FY25 Original Budget was passed by the Board of Supervisors on July 25, 2023 and signed by Mayor Breed on July 27, 2023. The Original Budget for fiscal year 2023-24 appropriated annual revenues, fund balance, transfers and reserves of \$14.6 billion, of which the City's General Fund accounts for \$6.8 billion. The Original Budget for fiscal year 2024-25 appropriates revenues, fund balance, transfers and reserves of \$14.5 billion, of which \$7.0 billion represents the General Fund budget. See "CITY BUDGET – Original Budget for Fiscal Years 2023-24 and 2024-25" for further details on the budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2020-21 and 2021-22, and Original Budgets for fiscal years 2022-23 through 2024-25. The Final Revised Budget for fiscal year 2022-23 is pending completion of the City's Annual Comprehensive Financial Report ("ACFR") for fiscal year 2022-23, and is not yet available. See "GENERAL FUND REVENUES - PROPERTY TAXATION –Tax Levy and Collection," "GENERAL FUND REVENUES - OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

See "CITY FINANCIAL CHALLENGES" and "BUDGETARY RISKS" for discussions of factors that may affect the revenue and expenditure levels assumed in the Original Budget.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2020-21 through 2024-25
(000s)

	2020-21 Final Revised Budget ⁶	2021-22 Final Revised Budget ⁶	2022-23 Original Budget ⁷	2023-24 Original Budget ⁸	2024-25 Original Budget ⁸
Prior-Year Budgetary Fund Balance & Reserves	\$2,816,902	\$2,803,535	\$395,409	\$224,248	\$362,464
<u>Budgeted Revenues</u>					
Property Taxes ¹	\$2,161,945	\$2,115,600	\$2,379,530	\$2,510,000	\$2,474,000
Business Taxes	798,057	957,307	902,300	851,100	941,100
Other Local Taxes ²	657,990	777,750	1,050,820	1,098,880	1,197,380
Licenses, Permits and Franchises	22,977	28,027	26,818	30,291	30,583
Fines, Forfeitures and Penalties	2,389	4,039	3,088	3,014	3,141
Interest and Investment Earnings	20,732	34,215	44,467	121,071	113,517
Rents and Concessions	11,166	11,820	13,131	14,571	14,803
Grants and Subventions	1,591,756	1,699,946	1,511,286	1,477,115	1,388,989
Charges for Services	254,990	258,939	236,924	272,865	264,613
Other	59,773	37,694	19,420	17,532	27,766
Total Budgeted Revenues	\$5,581,775	\$5,925,337	\$6,187,784	\$6,396,439	\$6,455,892
Bond Proceeds & Repayment of Loans	-	-	-	-	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,505,780	\$1,586,264	\$1,675,801	\$1,747,204	\$1,779,540
Public Works, Transportation & Commerce	218,986	244,365	262,733	242,912	233,446
Human Welfare & Neighborhood Development	1,605,573	1,571,761	1,576,410	1,604,163	1,615,373
Community Health	1,158,599	1,119,891	1,162,956	1,125,977	1,157,023
Culture and Recreation	147,334	161,417	197,596	201,453	202,539
General Administration & Finance	332,997	353,518	338,055	345,406	357,335
General City Responsibilities ³	126,993	156,892	226,931	184,513	237,146
Total Expenditure Appropriations	\$5,096,262	\$5,194,108	\$5,440,482	\$5,451,628	\$5,582,402
Budgetary reserves and designations, net	\$42,454	\$45,567	\$65,741	\$70,840	\$17,550
Transfers In	\$417,009	\$194,114	\$203,001	\$211,296	\$210,318
Transfers Out ⁴	(1,164,927)	(1,181,704)	(1,279,971)	(1,309,516)	(1,428,723)
Net Transfers In/Out	(\$747,918)	(\$987,590)	(\$1,076,970)	(\$1,098,220)	(\$1,218,405)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	2,512,044	2,501,608	-	-	-
Variance of Actual vs. Budget	291,491	712,423	-	-	-
Total Actual Budgetary Fund Balance ⁵	2,803,535	3,214,031	-	-	-

¹ The Budget appropriates Excess ERAF property tax funds in all fiscal years shown on the table. Please see "Property Tax" sections for more information about Excess ERAF.

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

³ Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

⁴ Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

⁵ Fiscal year 2020-21 through fiscal year 2021-22 Final Revised Budget reflects prior year *actual* budgetary fund balance.

⁶ Fiscal year 2020-21, and 2021-22 Final Revised Budgets are based on fiscal year 2020-21, and 2021-22 ACFRs, respectively. Does not reflect material adverse impacts of the COVID-19 pandemic on the General Fund. See reserve discussion under "CITY BUDGET" section.

⁷ Fiscal year 2022-23 amounts represent the Original Budget, adopted July 27, 2022. Final Revised Budget is pending completion of FY 2022-23 ACFR.

⁸ Fiscal year 2023-24 and 2024-25 amounts represent the Original Budget, adopted July 27, 2023.

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 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 2023-24 MTA, PUC, SFO, and the Port were in the second year of their previously adopted, fixed, two-year budgets. In fiscal year 2024-25, those department budgets will 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 13, 2023, for fiscal year 2023-24 through fiscal year 2027-28. See "Five-Year Financial Plan and Mayor's Budget Instructions" section below. The Five-Year Financial Plan was updated in the March Joint Report, see "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary. The next plan update will be released in early 2024.
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:
 - Non-Recurring Revenue Policy – This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. 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. Fiscal years 2022-23, 2023-24, and 2024-25 budgets did not withdraw from the Rainy Day or Budget Stabilization Reserves. These and other reserves are discussed under the Rainy Day Reserve and Budget Stabilization Reserve 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. The City negotiated agreements with its public safety employee organizations for fiscal years 2023-24 and 2024-25. Miscellaneous employee labor agreements are open for 2024-25, and the City will be bargaining in spring 2024.

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 fiscal year 2022-23 Six Month Report (the "Six Month Report") on February 15, 2023 and the Nine Month Report on May 15, 2023. 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 for fiscal year 2023-24 and 2024-25 in the Revenue Letter, which was issued on June 12, 2023.

General Fund Results: Audited Financial Statements

The City issued the ACFR, which includes the City's audited financial statements, for fiscal year 2021-22 on March 1, 2023. The fiscal year 2022-23 ACFR will be released in fall 2023. Fiscal year 2022-23 pre-audit results for selected revenues are discussed in Appendix A, but final revised budgets and overall net position are still pending and not updated here.

Fiscal year 2021-22 General Fund balance showed an increase from the fiscal year 2020-21 General Fund balance. As of June 30, 2022, the net available budgetary basis General Fund fund balance was \$1.02 billion (see Table A-4), which represents a \$114.2 million increase in available fund balance from the \$902.0 million available as of June 30, 2021. This increase resulted primarily from greater-than-budgeted property, hotel and real property transfer tax revenues, partially offset by under-performance in business tax revenues in fiscal year 2021-22.

The General Fund balance as of June 30, 2022 was \$2.9 billion (shown in Tables A-3 and A-4) using Generally Accepted Accounting Principles (“GAAP”), derived from revenues of \$6.3 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 balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2018 through June 30, 2022.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of General Fund Fund Balances
Fiscal Years 2017-18 through 2021-22
(000s)

	2017-18	2018-19	2019-20	2020-21	2021-22
Restricted for rainy day (Economic Stabilization account) ¹	\$89,309	\$229,069	\$229,069	\$114,539	\$114,539
Restricted for rainy day (One-time Spending account) ²	54,668	95,908	-	-	-
Committed for budget stabilization (citywide) ²	369,958	396,760	362,607	320,637	320,637
Committed for Recreation & Parks savings reserve ³	1,740	803	803	-	-
<u>Assigned, not available for appropriation</u>					
Assigned for encumbrances	\$345,596	\$351,446	\$394,912	\$407,137	\$462,668
Assigned for appropriation carryforward	423,835	496,846	630,759	753,776	940,213
Assigned for budget savings incentive program (Citywide) ³	73,650	86,979	-	-	-
Assigned for salaries and benefits ⁴	23,931	28,965	25,371	5,088	17,921
Assigned for Self-Insurance ⁵				42,454	45,567
Assigned for Hotel Tax Loss Contingency ⁶				6,000	3,500
Total Fund Balance Not Available for Appropriation	\$1,382,687	\$1,686,776	\$1,643,521	\$1,649,631	\$1,905,045
<u>Assigned and unassigned, available for appropriation</u>					
Assigned for litigation & contingencies ⁴	\$235,925	\$186,913	\$160,314	\$173,591	\$235,133
Assigned for subsequent year's budget	188,562	210,638	370,405	173,989	307,743
Unassigned for General Reserve ⁷	106,878	130,894	78,498	78,333	57,696
Unassigned - Budgeted for use second budget year	223,251	285,152	84	-	149,695
Unassigned - Projected for use third and fourth budget year	-	-	-	-	163,400
Unassigned - Contingency for second budget year	160,000	308,000	510,400	-	-
Unassigned - COVID-19 Response and Economic Contingency Reserve ⁸	-	-	-	113,500	13,999
Unassigned - Federal & State Emergency Revenue Reserve ⁸	-	-	-	100,000	81,300
Unassigned - Fiscal Cliff Reserve ⁸	-	-	-	293,900	229,750
Unassigned - Business Tax Stabilization Reserve	-	-	-	149,000	29,454
Unassigned - Gross Receipts Prepayment Reserve	-	-	-	26,000	-
Unassigned - Other Reserve	-	-	-	13,807	1,021
Unassigned - Available for future appropriation	44,779	8,897	18,283	31,784	39,795
Total Fund Balance Available for Appropriation	\$959,395	\$1,130,494	\$1,137,984	\$1,153,904	\$1,308,986
Total Fund Balance, Budget Basis	\$2,342,082	\$2,817,270	\$2,781,505	\$2,803,535	\$3,214,031
<u>Budget Basis to GAAP Basis Reconciliation</u>					
Total Fund Balance - Budget Basis	\$2,342,082	\$2,817,270	\$2,781,505	\$2,803,535	\$3,214,031
Unrealized gain or loss on investments	(20,602)	16,275	36,626	3,978	(156,403)
Nonspendable fund balance	1,512	1,259	1,274	2,714	4,134
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(25,495)	(23,793)	(20,655)	(31,745)	(32,874)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(68,958)	(87,794)	(139,590)	(120,569)	(118,791)
Inventories	-	-	33,212	17,925	-
Pre-paid lease revenue	(6,598)	(6,194)	(6,450)	(5,734)	(4,954)
Total Fund Balance, GAAP Basis	\$2,221,941	\$2,717,023	\$2,685,922	\$2,670,104	\$2,905,143

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 Budget Savings Incentive Reserve section of Appendix A, following this table.

⁴ 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.

⁵ 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.

⁶ Additional information in Hotel Tax Loss Contingency of Appendix A, following this table.

⁷ Additional information in General Reserves section of Appendix A, following this table.

⁸ 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 2021-22 ending balance of the Rainy Day Economic Stabilization City Reserve was \$114.5 million, as shown in Table A-3. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in fiscal years 2022-23, 2023-24 or 2024-25, preserving the balance of \$114.5 million in those years.

The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues. Amounts in excess of that cap in any year will be placed in the Budget Stabilization One-Time Reserve, which is eligible to be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day One-Time Reserve are available for capital and other one-time spending initiatives.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-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 was \$320.6 million at the end of fiscal year 2021-22, 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 fiscal year 2022-23 Original Budget withdraws the balance of the Budget Stabilization One-Time Reserve. As with the Rainy Day Reserve under Proposition C, the City is not eligible to withdraw from the Budget Stabilization Reserve in fiscal years 2022-23, 2023-24 or 2024-25, maintaining the fiscal year 2021-22 \$265.8 million balance.

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.

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 (balance of \$17.9 million as of fiscal year 2021-22) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of \$235.1 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 part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The fiscal year 2021-22 balance of \$57.7 million includes \$43.8 million of General Reserve, as well as two smaller, unrelated reserves. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. 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 years 2020-21 and 2021-22, the City withdrew from the Rainy Day Reserve and reset its General Fund Reserve deposit requirement to 1.5% of General Fund revenues in those years. The fiscal year 2021-22 ending balance of the General Reserve is \$43.8 million. The Original Budget for fiscal years 2022-23, 2023-24, and 2024-25 includes deposits of \$64.4 million, \$70.8 million, and \$17.6 million, respectively. See "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions" and "– Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report" for a summary of the most recent projections.

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

The fiscal year 2020-21 Original Budget consolidated the balances of several City reserves into a single COVID Response and Economic Loss Reserve of \$507.4 million in fiscal year 2019-20, 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.

At the end of fiscal year 2020-21, the COVID Response and Economic Loss Reserve was split into two new reserves -- \$100.0 million for a “Federal and State Emergency Grant Disallowance Reserve,” and \$293.9 million for a “Fiscal Cliff Reserve”-- leaving \$113.5 million in the original COVID Response and Economic Loss Reserve. In fiscal year 2021-22, \$99.5 million of the COVID Response and Economic Loss Reserve was used to balance the budget, leaving a balance of \$14.0 million. The 2022-23 Original Budget used the remainder of this 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. In fiscal year 2021-22, \$18.7 million of the Federal and State Emergency Grant Disallowance Reserve was appropriated in the Original Budget, leaving a balance of \$81.3 million. The fiscal year 2023-24 Original Budget does not appropriate any of this reserve, but the fiscal year 2024-25 Original Budget appropriates \$41.3 million, leaving a balance of \$40.0 million.

The Fiscal Cliff Reserve was created for the purpose of managing projected budget shortfalls following the spend down of federal and state stimulus funds and other one-time sources. In fiscal year 2021-22, \$64.2 million of the Fiscal Cliff Reserve was appropriated through a supplemental appropriations ordinance for rent relief and social housing. As a result, the fiscal year 2021-22 reserve balance was \$229.8 million. The fiscal years 2022-23, 2023-24, and 2024-25 budgets appropriate \$9.3 million, \$90.2 million, and \$0 respectively, leaving a balance of \$130.3 million.

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 ACFR. Audited financial statements can be obtained from the City Controller’s website <https://sf.gov/annual-comprehensive-financial-reports-acfr>. Information from the City Controller’s website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-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 Mayor’s Budget Instructions” 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 2017-18 through 2021-22
(000s)

	2017-18	2018-19	2019-20	2020-21	2021-22
Revenues:					
Property Taxes ²	\$1,673,950	\$2,248,004	\$2,075,002	\$2,332,864	2,336,071
Business Taxes	897,076	917,811	822,154	722,642	861,172
Other Local Taxes ³	1,093,769	1,215,306	996,180	709,018	1,115,553
Licenses, Permits and Franchises	28,803	27,960	25,318	12,332	32,078
Fines, Forfeitures and Penalties	7,966	4,740	3,705	4,508	5,755
Interest and Investment Income	16,245	88,523	65,459	(1,605)	(93,447)
Rents and Concessions	14,533	14,460	9,816	5,111	10,668
Intergovernmental	983,809	1,069,349	1,183,341	1,607,803	1,795,395
Charges for Services	248,926	257,814	229,759	230,048	238,438
Other	24,478	46,254	62,218	46,434	23,265
Total Revenues	\$4,989,555	\$5,890,221	\$5,472,952	\$5,669,155	\$6,324,948
Expenditures:					
Public Protection	\$1,312,582	\$1,382,031	\$1,479,195	\$1,498,514	\$1,562,797
Public Works, Transportation & Commerce	223,830	202,988	203,350	204,973	232,078
Human Welfare and Neighborhood Development	999,048	1,071,309	1,252,865	1,562,982	1,478,115
Community Health	706,322	809,120	909,261	1,056,590	1,002,047
Culture and Recreation	142,215	152,250	155,164	145,405	159,056
General Administration & Finance	244,773	267,997	304,073	314,298	298,742
General City Responsibilities	110,812	144,808	129,941	113,913	156,870
Total Expenditures	\$3,739,582	\$4,030,503	\$4,433,849	\$4,896,675	\$4,889,705
Excess of Revenues over Expenditures	\$1,249,973	\$1,859,718	\$1,039,103	\$772,480	\$1,435,243
Other Financing Sources (Uses):					
Transfers In	\$112,228	\$104,338	\$87,618	\$343,498	\$84,107
Transfers Out	(1,010,785)	(1,468,971)	(1,157,822)	(1,166,855)	(1,209,383)
Other	(178)	(3)	-	(338)	(74,928)
Total Other Financing Sources (Uses)	(\$898,735)	(\$1,364,636)	(\$1,070,204)	(\$823,695)	(\$1,200,204)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$351,238	\$495,082	(\$31,101)	(\$51,215)	\$235,039
Total Fund Balance at Beginning of Year	\$1,870,703	\$2,221,941	\$2,717,023	\$2,685,922	\$2,670,104
Cumulative effect of accounting change				35,397	-
Total Fund Balance at End of Year -- GAAP Basis	\$2,221,941	\$2,717,023	\$2,685,922	\$2,670,104	\$2,905,143
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	\$286,143	\$326,582	\$395,776	\$179,077	\$325,664
-- Budget Basis	\$616,592	\$812,687	\$896,172	\$901,980	\$1,016,157

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

2 The City recognized \$548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 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 (once it takes effect beginning January 1, 2022).

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

Five-Year Financial Plan, Mayor’s Budget Instructions, and March Joint Report

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

On January 13, 2023, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller’s Office issued the Five-Year Plan for fiscal years 2023-24 through 2027-28, which projected annual shortfalls of \$200.8 million, \$527.5 million, \$745.6 million, \$991.7 million, and \$1.2 billion for those years, respectively. San Francisco’s Charter requires that each year’s budget be balanced. Based on the forecast in the Five-Year Plan, the Mayor’s Budget Office issued instructions to departments in December 2022 to reduce their expenditures by 5% and 8% in fiscal years 2023-24 and 2024-25, respectively, in order to close the gap between projected sources and uses.

The City provided updated projections to the Five-Year Plan in its March Joint Report released on March 31, 2023. The March Joint Report projected larger shortfalls than the Five-Year Plan given more recent information and trends, including a fiscal year 2023-24 shortfall of \$290.9 million, or \$90.1 million higher than the projection in the Five-Year Plan (as defined herein) and an aggregate fiscal year 2023-24 and 2024-25 shortfall of \$779.8 million, or \$51.5 million more than the amount projected in the Five-Year Plan. The shortfall in fiscal year 2027-28 is projected to be \$1.3 billion, which is \$95.6 million greater than the projection in the Five-Year Plan. Based on this update, the Mayor’s Budget Office issued additional instructions to departments on March 30, 2023, to reduce expenditures by an additional 5% in fiscal years 2023-24 and 2024-25.

The March Joint Report notes that the increased shortfalls are largely the result of lower revenue projections, higher employee benefit costs, and new spending proposals adopted by the City since the issuance of the Five-Year Plan. The March Joint Report also notes a number of factors that could impact the projections, including any contract changes due to labor negotiations, additional interest rate increases or other factors that may tip the nation into a recession, increases in the retirement contribution rate, and State and federal budget impacts.

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TABLE A-5(a)

CITY AND COUNTY OF SAN FRANCISCO					
Five Year Financial Plan					
Fiscal Years 2023-24 through 2027-28					
Projections as of March 31, 2023					
(\$ Millions)					
	2023-24	2024-25	2025-26	2026-27	2027-28
Sources - Increase / (Decrease):	(\$116.0)	\$18.3	\$85.6	\$72.8	\$191.3
Uses:					
Baselines & Reserves	(\$55.6)	(\$56.0)	(\$91.2)	(\$162.6)	(\$210.5)
Salaries & Benefits	(65.5)	(216.8)	(324.7)	(433.2)	(574.7)
Citywide Operating Budget Costs	(83.9)	(204.3)	(317.0)	(413.2)	(517.8)
Departmental Costs	30.1	(30.1)	(76.7)	(139.1)	(207.9)
Total Uses - (Increase) / Decrease:	(\$174.9)	(\$507.3)	(\$809.6)	(\$1,148.1)	(\$1,511.1)
Projected Surplus / (Shortfall):	(\$290.9)	(\$488.9)	(\$723.9)	(\$1,075.3)	(\$1,319.8)

Key assumptions in the Five-Year Plan and March Joint Report were:

- Recovery continues, but high levels of remote work persist:** San Francisco's economic growth, and the revenue derived from it, is heavily dependent on changes in employment, business activity, and tourism. This report assumes changes in office use that occurred during the pandemic are long lasting, affecting commercial and residential real estate and taxable gross receipts. While the recovery in travel and tourism is stronger than prior forecasts, hotel tax revenues are not projected to reach their pre-pandemic levels until fiscal year 2026-27 and are subject to weakness in business travel and convention activity. The March Joint Report forecasts weakening revenue, primarily due to improvements in property and business taxes being more than offset by weakness in FEMA reimbursements, State sales tax-based subventions, sales, hotel, and transfer taxes.
- Implementation of measures adopted by voters in the November 2022 election:** Projections assume a net expenditure increase from these measures, including: costs to provide additional inflationary increases to pre-1996 retiree pensions; savings from the elimination of the Department of Streets and Sanitation and the consolidation of elections; creation of an oversight commission for the Department of Homelessness and Housing; extension of General Fund transfers to the Library Preservation Fund; and funding of a new baseline, the Student Success Fund.
- Previously negotiated wage increases and inflationary increases for open contracts in line with CPI:** The March Update assumed the additional salary and benefit costs for previously negotiated, closed labor agreements. Police and Firefighters' unions have closed memoranda of understanding ("MOU") through fiscal year 2025-26. Miscellaneous unions have closed MOUs through fiscal year 2023-24 that include a "recession trigger" provision to delay fiscal year 2023-24 scheduled wage increases should the projected shortfall for that year exceed \$300 million Both reports assume the threshold is not met, which was the case for this year and will be tested again later this fiscal year. In open contract years, this report projects salary increases equal to the change in CPI using the average projection of the California Department of Finance San Francisco Area CPI and Moody's SF Metropolitan Statistical Area CPI. This corresponds to 3.56% in fiscal year 2023-24, 2.62% in fiscal year 2024-25, 2.66% in fiscal year 2025-26, 2.45% in fiscal year 2026-27, and 2.51% in fiscal year 2027-28. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels, but rather are used for projection purposes.

- **Pension investment returns meet expectations, but do not trigger a supplemental Cost of Living Adjustment (“COLA”):** Both reports assume a return on San Francisco Employees’ Retirement System (“SFERS” or “Retirement System”) assets of 7.2%, the actuarially assumed rate of return. This projection does not assume that any on-going supplemental COLA payment to certain retirees is triggered, which would require increased employer contributions.
- **Health insurance cost increases:** The January projection assumed that the employer share of health insurance costs for active employees would increase by 5.2% in fiscal year 2023-24, 6.8% in fiscal year 2024-25, 6.3% in fiscal year 2025-26, and then 6.0% in each of the remaining two years of the projection period, for an average of 6.0% annually over the five years. Retiree health costs are assumed to grow by 5.3% in fiscal year 2023-24, 6.8% in fiscal year 2024-25, 6.3% in fiscal year 2025-26, and then 6.0% in each of the remaining two years, an average of 6.1% annually over the projection period. The March projection assumes health costs for active members are higher compared to the January projection as they include medical inflation and updated medical enrollments as of March 2023. The March projection also assumes that health costs for retired City employees will decrease in fiscal year 2023-24 compared to the January projections based on the Charter-required 10-county average, which was updated in March 2023.

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

- **Labor negotiations:** The reports assume approved wage increases in collective bargaining agreements for most labor unions through the end of fiscal year 2023-24 and apply inflationary increases on open contracts in all other years based on the same CPI rates used in the January Report. Other than these costs, the reports do not assume any contract changes due to labor negotiations with Police and Firefighters’ unions for contracts effective July 1, 2023. Wage or benefit changes above or below these assumptions would impact the projection. At the time of the March update, the membership of the Police Officer’s Association had approved a tentative agreement with the City that would increase wages and premiums by rates greater than the CPI-based wage increases assumed in this report; this cost is not included in the update as the Board had not approved the MOU.
- **Interest rate increases or other factors tip the nation into recession:** The reports assume very modest revenue growth over the forecast period given structural changes in office using sectors, and that successive Fed interest rate increases slow growth without inducing a recession. However, there is continuing discussion among economic forecasters of the likelihood of a mild recession beginning in the first half of 2024. Assuming policymakers choose to completely deplete the City’s economic stabilization reserves, the report estimates such a recession would increase the total shortfall amount by \$339.0 million over the forecast period.
- **Pending or proposed new programs or legislation:** No pending or proposed legislative changes with a fiscal impact are assumed in this projection. Legislation adopted by the Mayor and Board of Supervisors with a fiscal impact would increase the projected shortfalls. Future projections will include impacts from any subsequently adopted legislation.

- **Revenue volatility from a highly progressive tax structure:** The General Fund projection includes revenue from the tax on executive compensation (November 2020 Proposition L) as well as revenue from new transfer tax rates (November 2020 Proposition I). These sources add to the City's already progressive tax structure, increasing revenue volatility. In addition, both taxes will likely lead to a variety of tax avoidance behaviors that are difficult to project in both form and timing, resulting in revenue that could be higher or lower than projected. See "BUDGETARY RISKS – Commuting Pattern Changes" for a summary of the July 2023 memorandum issued by the Controller's Office on how the City's business tax system is being challenged by the recent trends towards remote working.
- **State fiscal shortfall:** These projections assume excess ERAF property tax allocations continue under current legal requirements. However, in its November 2022 fiscal outlook report, the state Legislative Analyst Office projected a \$24 billion shortfall in fiscal year 2023-24 and ongoing deficits, thereafter, increasing the likelihood of legislative proposals to alter ERAF allocations in a way that reduces the draw on the state's general fund to meet its Prop 98 school funding requirements, which would reduce excess ERAF that reverts to the City. In fiscal year 2022-23 excess ERAF property allocations to the City are projected to be approximately \$350 million, which included certain one-time payments. In addition, discretionary state funding for housing, criminal justice, and other local government grants will likely decline. See "BUDGETARY RISKS – Impact of the State of California Budget on Local Finances" for more detail.
- **Retirement contribution rate:** Projections assume the SFERS achieves a 7.2% rate of return in fiscal year 2022-23 and in each year beyond. For the quarter ended June 30, 2023, the Retirement Fund was valued at \$33.6 Billion (unaudited). The net of fee total returns for that quarter and the trailing one-year were 2.36% and 4.25%, respectively. The final audited valuation June 30, 2023 could vary from the year-to-date return value. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period. Reference "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS: San Francisco Employees' Retirement System" for more information.

Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report

The Nine-Month Budget Status Report (the "Nine-Month Report") was released on May 15, 2023. The Nine-Month Report indicates a projected General Fund net surplus of \$209.3 million in fiscal year 2022-23, which is a \$36.3 million improvement from the March Joint Report. The improvement was largely driven by an improving revenue outlook.

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TABLE A-5(b)

Nine-Month Report
Fiscal Year 22-23 Projected General Fund Variances to Budget (\$ million)

	March 5-Yr Update	9-Month	Change
FY 2021-22 Ending Fund Balance	497.2	497.2	-
Appropriation in the FY 2022-23 Budget	(457.4)	(457.4)	-
Prior Year Fund Balance Above Budgeted Levels	39.8	39.8	-
Citywide Revenue	(58.8)	(31.9)	26.9
Baseline Contributions	(11.6)	(13.7)	(2.0)
Departmental Operations	25.4	44.7	19.3
Current Year Revenues and Expenditures	(45.0)	(0.8)	44.1
Approved Use of General Reserve - Source	50.4	50.4	-
Approved Use of General Reserve - Expenditure	(50.4)	(50.4)	-
Public Health Revenue Management Reserve	14.8	6.9	(7.9)
Supplemental Appropriations & Use of Reserves	14.8	6.9	(7.9)
 Previously Unappropriated Fund Balance	 163.4	 163.4	 -
 FY 2022-23 Projected Ending Balance	 173.0	 209.3	 36.3

The following is a discussion of certain elements of the fiscal year 2022-23 projections in the Nine-Month Report:

- **Implications for upcoming fiscal years.** The Nine-Month Report forecasts a \$209.3 million General Fund ending balance in fiscal year 2022-23, a \$36.3 million improvement from the \$173.0 million balance in the March Joint Report and a \$39.8 million improvement versus the adopted budget for fiscal year 2022-23. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to \$743.5 million.
- **Citywide revenues are projected to be \$31.9 million below budget, an improvement of \$26.9 million from the March Joint Report to the Five-Year Plan.** The variance from budget is largely due to significant weakness in FEMA reimbursements of COVID expenses, real property transfer tax, and business tax. These shortfalls are partially offset by strength in the overpaid executives tax, the hospitality and tourism sector – evidenced by growth in hotel tax and concessions revenue at San Francisco International Airport (SFO)– as well as sales tax, property tax, and interest income.
- **Departments are projected to end the year with a \$44.7 million net operating surplus, of which \$27.6 million is attributable to approval of a supplemental appropriation to fund Police Department overtime overspending.** Controlling for offsetting revenue and expenditure fluctuations at the Human Services Agency (HSA), modest increases in revenue shortfalls in other departments were more than offset by savings in a range of expenditure types, but largely driven

by salary and fringe benefit savings given hiring delays versus the adopted budget. The \$18.0 million revenue shortfall at the Department of Public Health (DPH), stemming largely from the declining patient census at Laguna Honda Hospital as it seeks Center for Medicare Services (CMS) recertification, is projected to be closed with the department's revenue management reserve.

Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter

On June 1, 2023, the Mayor submitted a proposed, balanced budget for fiscal years 2023-24 and 2024-25 to the Board of Supervisors. On July 25, 2023, the Board of Supervisors passed a final budget, and the Mayor approved this budget on July 27, 2023 (the "FY24 & FY25 Original Budget").

The FY24 & FY25 Original Budget totals \$14.6 billion for fiscal year 2023-24 and \$14.5 billion for fiscal year 2024-25. The General Fund portion is \$6.8 billion in fiscal year 2023-24 and \$7.0 billion in fiscal year 2024-25. There are 33,402 funded full-time equivalent positions in fiscal year 2023-24 and 33,562 in fiscal year 2024-25, representing year-over-year increases of 194 and 160 positions, respectively.

The Charter requires that the Controller comment on revenue estimates assumed in the Mayor's fiscal year 2023-24 and fiscal year 2024-25 proposed budget. These comments were issued in the Revenue Letter on June 12, 2023. The revenue estimates assumed in the proposed budget are not materially different from the budget finally passed and approved later in the summer.

In the Revenue Letter, the Controller's Office found tax revenue assumptions to be reasonable, but cautioned that they are highly dependent on conditions in the local economy, will require frequent monitoring, and are subject to updates as conditions change. The report also noted the budget relies heavily on one-time funds to support operations during the two-year budget period, and a structural gap in excess of \$500 million is likely to persist following the exhaustion of those funds.

Key findings in the Revenue Letter include:

- **Tax revenue projections generally assume a continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.** Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow during the coming two years, but in most cases remain below pre-pandemic levels. However, the continuity of remote work and high interest rates are projected to continue to have significant impacts on the City's property, business, and property transfer taxes. Tax increases adopted by the voters in recent years are projected to contribute to modest overall General Fund tax revenue growth of 0.6% in fiscal year 2023-24 and 3.3% fiscal year 2024-25.
- **The budget assumes nearly \$1 billion of General Fund one-time solutions over the two budget years.** These one-time solutions include drawdown of \$405.0 million in prior year fund balance, including \$117.2 million in prior continuing appropriations the Mayor's budget proposes to close; \$250.0 million of FEMA reimbursement for previously incurred emergency response costs; \$172.3 million of reserve drawdowns; and other one-time solutions. Additionally, the budget proposes \$125.9 million of short-term shifts of costs in other funds, with a significant portion designed to achieve General Fund savings.

- **The budget further draws on available reserves but maintains the City’s economic stabilization reserves.** The budget uses \$172.3 million of reserves established in prior years. By the end of the two-year budget period, the City will have used approximately \$620 million (or 43%) of its \$1.4 billion of pre-pandemic reserves to support on-going operations. 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”). Required General Reserve funding levels are maintained in the proposed budget.
- **The proposed budget makes some limited progress towards projected structural budget gaps in years beyond the coming two-year budget period.** This forecast, published in March 2023, forecasted a structural budget gap of \$724 million in fiscal year 2025-26, growing in subsequent years, absent ongoing corrective action by policy makers. Based on a preliminary review of the mix of ongoing and one-time solutions proposed in the Mayor’s budget, the Controller’s Office estimates a likely shortfall in excess of \$500 million in fiscal year 2025-26, growing in subsequent years.
- **The final adopted budget will require active monitoring and management by the Mayor and Board of Supervisors given a number of economic and financial risks.** These risks include the possibility of a slowing economic recovery or a recession, delays in the recertification of Laguna Honda Hospital, and risks associated with both State and Federal revenues streams. See “BUDGETARY RISKS – Laguna Honda Hospital Loss of Federal Funding” for more information on the recertification of Laguna Honda Hospital.

BUDGETARY RISKS

In addition to the budgetary risks described below, see “CITY BUDGET – Other Budget Updates: Fiscal Year 2022-23 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, successive interest rate increases by the Federal Reserve to combat inflation, and financial turmoil in the banking sector 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

Continued heightened levels of telecommuting results in continued pressure on the City’s general fund revenues. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Continued high levels of telecommuting

and work from anywhere policies may affect how much of any business's gross receipts are apportionable to the City. San Francisco still lags the state as a whole in time spent at workplaces, and weekly office attendance has only reached approximately 45% by the end of July 2023, below other peer cities. As of August 2023, BART ridership was 42% of pre-pandemic levels. As of June 2023, bridge crossings into and out of the City were approximately 90% of pre-pandemic levels. Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

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

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

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

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

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

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

Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues

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, then 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 declined, while the direct vacancy rate 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 developed a series of office vacancy rate forecasts for the City, through the year 2026. JLL generally showed historically high office vacancy rates persisting throughout the forecast period. JLL forecasted 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 forecasted 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 annually by 2026, with a potential widening to \$100 million to \$200 million annually 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. Please see “CITY BUDGET — Other Budget Updates: Fiscal Year 2022-23 Nine-Month Budget Status Report” and “CITY BUDGET – Original Budget For Fiscal Years 2023-24 and 2024-25 and Revenue Letter” for additional information.

The trends identified in this report have continued. Based on the September 2023 report on the status of the City economy, office vacancy in the City was estimated to be 30% as of the 3rd quarter of 2023.

Potential City Acquisition of PG&E Distribution Assets

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated upwards of \$30 billion. Taxes and fees paid by PG&E to the City total approximately \$75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers.

On June 20, 2020, the United States Bankruptcy Court for the Northern District of California confirmed PG&E’s Plan of Reorganization, and on July 1, 2020 PG&E announced that it had emerged from Chapter 11 bankruptcy. 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 occur in 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 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 Original Budget for fiscal years 2023-24 and 2024-25, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2023, California's fiscal year 2023-24 Budget was passed by the Legislature and signed by the Governor. This budget closed an estimated \$31.7 billion shortfall primarily through funding shifts, modest spending reductions, delays in spending, and other sources.

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

Impact of Federal Government on Local Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's General Fund and hospitals, which are supported by the General Fund, collectively receive over \$1 billion annually in federal subventions for entitlement programs, the large majority of which are reimbursements for care provided to Medicaid and Medicare recipients. See "Laguna Honda Hospital Potential Loss of Federal Funding." In addition, tens of thousands of San Franciscans receive federal subsidies to purchase private insurance on the State's health care exchange, Covered California. Efforts to change such subsidies or alter provisions of the Affordable Care Act through regulatory changes could have significant effects on future health care costs.

The federal government provided significant funding to local governments to respond to the public health emergency and mitigate the fiscal effect of the COVID-19 pandemic. The City spent the entirety of its General Fund allocations of Coronavirus Aid, Relief, and Economic Security Act ("CARES") and American Rescue Plan Act ("ARPA") State and Local Fiscal Recovery Fund monies as of fiscal year 2021-22 and is awaiting reimbursement of emergency response costs submitted to the FEMA. In fiscal year 2022-23, the City originally budgeted \$243.4 million of FEMA reimbursements. By May 2023, the City estimated it would only receive \$23.4 million in that fiscal year. However, the City closed the fiscal year with only \$2.6 million. The City expected a delay in reimbursements because FEMA began prioritizing claims of jurisdictions that have not yet received funds.

Laguna Hospital Potential Loss of Federal Funding

The Laguna Honda Hospital and Rehabilitation Center ("Laguna Honda Hospital") is a skilled nursing facility owned and operated by the City through its Department of Public Health, serving up to 660 patients, most of whom are low income or extremely low income residents. 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.

On May 18, 2023, CMS, the City, and the California Department of Public Health reached an agreement in principle to settle ongoing administrative proceedings and federal court litigation. This settlement will allow Laguna Honda to continue to receive Medicare and Medicaid payments while addressing the quality improvements needed to ensure resident health and safety. As part of the settlement, CMS extended payments for Medicare and Medicaid services through March 19, 2024, contingent on Laguna Honda meeting requirements aimed at making health and safety improvements at the facility. During this period, Laguna Honda will continue to work on quality improvement efforts while aiming to reapply to participate in Medicare and/or Medicaid.

On August 16, 2023, California Department of Public Health and the state's Department of Health Care Services approved Laguna Honda's recertification for Medicaid, which means Laguna Honda will continue to receive Medicaid payments to provide health care coverage to low-income people. The reinstatement for Laguna Honda for the federal Medicare program is pending.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable

obligations and the authority to take actions that ABx1 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency. The Successor Agency exercises land use, development and design approval authority for the developed projects. The Successor Agency, in addition to other various City agencies and entities, also may issue community facilities district (“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 use that revenue to finance infrastructure projects and improvements. Each district has its own plan of finance for the allocation and use of tax increment.

GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the taxable assessed value of property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value at the beginning of that fiscal year. The Controller also applies the tax rate factors, including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), and tax factors needed to repay voter-approved general obligation bonds on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer

and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See “Taxation of State-Assessed Utility Property” below.

Assessed Valuations, Tax Rates and Tax Delinquencies

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. Lingering impacts of the COVID-19 pandemic, which triggered business changes such as extended work-from-home policies that resulted in less demand for office spaces, and the substantial increases in borrowing costs (interest rates) resulted in a reduction in property values for certain asset classes in the City and may result in future reductions, which could be material.

The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (“SFCOE”), SFCCD, Bay Area Air Quality Management District (“BAAQMD”), and San Francisco Bay Area Rapid Transit District (“BART”), all of which are legal entities separate from the City. See also, Table A-33: “Statement of Direct and Overlapping Debt and Long-Term Obligations.” In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to OCII, the successor agency to the San Francisco Redevelopment Agency, and a number of increment financing districts. Property tax revenues attributable to the growth in assessed value of taxable property (known as “tax increment”) within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received \$122.6 million of property tax increment in fiscal year 2022-23 for recognized obligations, diverting about \$68.2 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 99.15% for fiscal year 2022-23.

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TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2023-24
(000s)

Fiscal Year	Net Assessed ¹ Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2008-09	\$141,274,628	8.7%	\$1.163	\$1,702,533	\$1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	307,712,666	2.7%	1.182	3,864,100	3,832,546	99.2%
2022-23	331,431,694	7.7%	1.180	4,067,270	4,032,813	99.2%
2023-24	343,913,585	3.8%	N/A	N/A	N/A	N/A

¹ Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

² Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

³ The Total Tax Levy and Total Tax Collected through fiscal year 2022-23 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco.

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

At the start of fiscal year 2023-24, the total net assessed valuation of taxable property within the City was approximately \$343.9 billion. Of this total, \$326.4 billion (94.9%) represents secured valuations and \$17.5 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 the current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article 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. The number of new assessment appeals filed as of September 30, 2022, which represented 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. As discussed later, the City is currently processing applications filed as of September 30, 2023 and expects that the number of appeal applications received during this most recent filing period will be more than double the amount the City received in the previous fiscal year.

The FY24 & FY25 Original Budget assumes the continuance of work from home patterns and interest rates currently affecting the City's businesses will result in declines in commercial assessed 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 2022-23 are listed in Table A-7 below.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Reduction of Prior Years' Property Tax Revenues
General Fund
Fiscal Years 2013-14 through 2022-23
(000s)

Fiscal Year	Amount Reduced
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
2022-23	23,070

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

*Amount Reduced in FY 2020-21 and forward reflects both Teetered and non-teetered property tax amounts.

A property's annual assessed value is determined as of January 1 preceding the start of the fiscal year for which taxes are billed and paid. Under California's Proposition 13, a property's annual assessed value is the lesser of (1) its base year value (fair market value as of the date of change in ownership or completion of new construction), factored for inflation at no more than two percent per year; or (2) its fair market value as of 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, at which point the Assessor reestablishes 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 ("Prop 8") criteria to apply reductions in valuation to classes of properties affected by any factors affecting market value. COVID-19's impact on San Francisco real property values first arose on the 2021 Assessment Roll, resulting in an almost 4-times increase in the total count of Prop 8 reductions granted compared to the 2020 Assessment Roll (up from 2,059 to 8,212) and more than 8-times increase in the value of the reductions (up from \$272 million to \$2.18 billion). The total count and value of Prop 8 reductions for the 2023 Assessment Roll were 5,326 and \$1.7 billion, respectively.

The two most significant factors driving these changes for the 2021 and 2022 Assessment Rolls were reductions in value for hotel and condominium properties. In response to COVID-19, the Assessor's Office performed proactive reviews of commercial properties, which resulted in temporary reductions of \$1.01 billion for 26 hotel properties on the 2021 Assessment Roll and \$839 million for 15 hotel properties on the 2022 Assessment Roll. For the 2023 Assessment Roll, the Assessor's Office did not grant temporary

reductions to these hotel properties. Condominiums accounted for the largest share of new reductions since the onset of the pandemic at over 70% of the total value of temporary reductions excluding hotels on the 2021 and 2022 Assessment Rolls and more than half of the total count for these years. For the 2023 Assessment Roll, condominiums accounted for a slightly lower percentage of total value of temporary reductions at 63% while remaining stable as a percentage of total count.

In addition to Prop 8 reductions, 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. Supplemental and Base Year Appeals are to establish a property's base value. Escape and Regular Appeals are filed to contest a property's value as of January 1. The majority of appeals filed are Regular Appeals. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If September 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely. The AAB generally is required to resolve appeals applications within two (2) years of filing, unless the applicant signs a waiver to extend the statutory period. Appeals may also be resolved when the Assessor and a property owner stipulate to a corrected value, which the AAB may approve, or reject and require a hearing in which it determines the value. Upon hearing a supplemental or base year appeal to establish a base value, the AAB may decide to increase, decrease, or not change an assessment. In the case of an escape or regular appeal, the AAB may lower the taxable value or maintain the factored base year value but cannot increase the value above the factored base year value. If an escape or regular appeal results in a change in value, the 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 appeals to establish a property's base value.

The volume of appeals is not necessarily an indication of how many appeals will be heard or result in a property tax assessment reduction. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

As of June 30, 2023, the total number of open appeals before the AAB was 2,963 with 2,873 new applications filed in fiscal year 2022-23. As of June 30, 2023, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was \$56.5 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 \$668.4 million would result. The General Fund's portion of that potential \$668.4 million would be approximately \$314.2 million. As set forth in a November 2022 presentation by the AAB, potential tax impact of total appeal applications received as of September 30, 2022 in the Financial District, South of Market ("SOMA"), and Embarcadero neighborhoods was 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 2,580 appeals closed during fiscal year 2022-23 as of June 30, 2023, 1,858, or 72% of appeals, were withdrawn.

Nearly all the appeal applications filed during fiscal year 2020-21 challenged the assessed value of

property for fiscal year 2020-21. However, because the assessed value of secured property for fiscal year 2020-21 was determined by the Assessor as of the January 1, 2020, lien date, which predated the COVID-19 pandemic and its related economic effects, the City does not expect a material reduction in assessed values resulting from fiscal year 2020-21 appeal applications. However, there was an increase in the number of appeals for fiscal year 2021-22 and a modest increase for fiscal year 2022-23. Appeals for the January 1, 2023 lien date (current values for fiscal year 2023-24) were due by September 15, 2023. The City is currently processing these applications and expects that the number of appeal applications received during this most recent filing period will be more than double the amount the City received in the previous fiscal year.

As discussed above, 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 factored 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 end fiscal year 2022-23 was \$3.8 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues in fiscal year 2022-23 (including supplemental and escape property taxes) the City received \$2.5 billion in the General Fund and \$330.2 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD received approximately \$250.1 million and \$47.0 million, respectively, and the local ERAF received \$419.1 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received \$122.6 million. The remaining portion was allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund was allocated about 47.2% of total property tax revenue before adjusting for the tax increment financing districts, VLF backfill shift, and excess ERAF.

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

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

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer;

3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

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TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2022-23
(000s)

Year Ended	Amount Funded
2013-14	\$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567
2018-19	29,126
2019-20	31,968
2020-21	35,298
2021-22	35,951
2022-23	38,041

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, 2023 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, 2023

Assessee ¹	Location	Parcel Number	Type	Total Assessed Value ²	% Basis of Levy ³
SUTTER BAY HOSPITALS ⁴	1101 VAN NESS AVE	0695 007	Hospital	\$2,779,736,804	0.807%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	Office	\$1,876,176,439	0.545%
GSW ARENA LLC	1 WARRIORS WAY A	8722 026	Entertainment Comp	\$1,516,088,360	0.440%
PARK TOWER OWNER LLC	250 HOWARD ST	3718 040	Office	\$1,140,399,718	0.331%
KRE EXCHANGE OWNER LLC	1800 OWENS ST	8727 008	Office	\$1,135,881,100	0.330%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	Office	\$1,114,464,525	0.324%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	Office	\$1,080,382,740	0.314%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	Office	\$912,827,016	0.265%
SHR ST FRANCIS LLC	301 - 345 POWELL ST	0307 001	Hotel	\$785,863,372	0.228%
SUTTER BAY HOSPITALS DBA CA PACIFIC MED ⁴	3555 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	Hospital	\$770,059,001	0.224%
				\$13,111,879,075	3.806%

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, 2023, lien date.

³ The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g., those that apply to nonprofit organizations).

⁴ Nonprofit Organization that is exempt from property taxes

Source: Office of the Assessor-Recorder, City and County of San Francisco

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special countywide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formula are generally based on the distribution of taxes in the prior year. The fiscal year 2023-24 valuation of property assessed by the State Board of Equalization in San Francisco is approximately \$4.4 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 the Original Budget for fiscal year 2023-24.

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TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
General Fund Revenue Overview
Fiscal Year 2023-24
(000s)

Revenues	FY 2023-24 Original Budget	
Property Taxes	\$2,510,000	39.2%
Business Taxes	851,100	13.3%
Other Local Taxes	1,098,880	17.2%
Licenses, Permits and Franchises	30,291	0.5%
Fines, Forfeitures and Penalties	3,014	0.0%
Interest and Investment Income	121,071	1.9%
Rents and Concessions	14,571	0.2%
Intergovernmental	1,477,115	23.1%
Charges for Services	272,865	4.3%
Other	17,532	0.3%
Total Revenues	\$6,396,439	100.0%

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

Business Taxes

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E (November 2012) changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, intending to replace the then existing 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 to 15,000. In November 2020, voters passed Proposition F, which eliminated the payroll tax and modified gross receipt tax rates. Most gross receipt tax rates increased by 40% for tax year 2021 over the prior year. Much smaller increases were scheduled for 2023 and 2024, should the City's taxable gross receipts in 2021 and 2022 reach at least 90% and 95%, respectively, of 2019 taxable gross receipts. The 2023 tax increase 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 through 2022 for gross receipts under \$25 million. 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 (gross receipts, payroll, and business registration) for fiscal year 2022-23 is \$853.2 million for all funds, representing a decrease of \$10.4 million (1.2%) from fiscal year 2021-22. The fiscal year 2023-24 original budget is \$853.6 million, an increase of \$0.5 million (0.1%) from fiscal year 2022-23 pre-audit actuals. The fiscal year 2024-25 original budget is \$943.6 million, an increase of \$90.0 million (10.5%) from the fiscal year 2023-24 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. But, after a low of just under 2% in May 2022, the unemployment rate has increased to 3.6% in August 2023. Just prior to the start of the pandemic, there were approximately 580,000 employed residents in the City. After falling to a low of about 480,000 in April 2020, the number of employed residents rose to about 550,000 as of June 2023, which represents a decline of about 10,000 since the peak in November 2022.

Remote work occurring outside the City creates fiscal risk because, for certain categories of businesses, the gross receipts tax is dependent in part on their San Francisco payroll, and the firms only need to calculate their San Francisco payroll expense for employees that physically work within the City's geographic boundaries. Approximately half of the workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. 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.

According to polling data from WFH Research, in August 2023, employees preferred to work at home 2.75 days per week on average while employers' plans were for 2.25 days worked from home. This suggests that a hybrid work arrangement of in-office and at-home will be a permanent fixture of office work. Many major San Francisco employers, such as Salesforce and Google, have long-term plans for hybrid work. This dynamic is reflected in the fiscal year 2022-23 pre-audit actuals and fiscal year 2023-24 and 2024-25 original budget. See "BUDGETARY RISKS – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues."

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TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds¹
Fiscal Years 2019-20 through 2024-25
(000s)

Fiscal Year ²	Revenue	Change	Change %
2019-20	\$824,670	(\$94,882)	-10.3%
2020-21	724,140	(100,530)	-12.2%
2021-22	863,510	139,370	19.2%
2022-23 pre-audit ³	853,154	(10,356)	-1.2%
2023-24 budgeted ⁴	853,600	446	0.1%
2024-25 budgeted ⁴	943,600	90,000	10.5%

¹ Figures exclude Homelessness Gross Receipts, Commercial Rent, and Overpaid Executive taxes.

² Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals. Includes gross receipts and payroll taxes allocated to special revenue funds for the Community Challenge Grant program as well as business registration tax.

³ Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

⁴ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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 2022-23 is \$283.5 million (all funds), an increase of \$104.3 million (58.2%) from fiscal year 2021-22. The fiscal year 2023-24 original budget is \$342.1 million, an increase of \$58.6 million (20.7%) from fiscal year 2022-23. The fiscal year 2024-25 original budget is \$382.5 million, an increase of \$40.4 million (11.8%) from the fiscal year 2023-24 projection. Table A-12 includes hotel tax in all funds. Slightly less than 90% of the City's hotel tax is allocated to the General Fund, with 10.7% allocated to arts and cultural organizations and approximately \$5 million for debt service on hotel tax revenue bonds.

Fiscal year 2022-23 hotel tax revenue performed better than fiscal year 2021-22, as leisure visits and convention activity continue to recover. Fiscal year 2022-23 enplanements at the San Francisco International Airport (SFO) increased by 34.6% from the prior year, as international and domestic enplanements improved by 101.0% and 20.2%, respectively. The return of conferences and conventions has played a key role in the recovery of hotel tax revenues, particularly because conventions drive up hotel tax room rates through compression pricing. In fiscal year 2021-22, a total of 23 conferences with over 126,000 attendees took place at the Moscone Convention Center. In fiscal year 2022-23, there were 33 conferences with over 266,000 attendees.

Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of occupancy and average daily room rates (ADR). 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 over the

years. Annual average RevPAR in fiscal year 2021-22 was \$108.77 and rose to \$154.76 in fiscal year 2022-23 which was an improvement of \$46.60 (or 43.1%). As traffic at SFO improves and conventions return to San Francisco, RevPAR is projected to continue rising. The projections for fiscal years 2023-24 and 2024-25 original budget assume annual average RevPAR will increase to \$178.60 in fiscal year 2023-24 and \$199.83 in fiscal year 2024-25.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2019-20 through 2024-25
(000s)

Fiscal Year ²	Tax Rate	Revenue	Change	
2019-20	14.0%	281,615	(132,728)	-32.0%
2020-21	14.0%	42,195	(239,420)	-85.0%
2021-22	14.0%	179,134	136,939	324.5%
2022-23 <i>pre-audit</i> ³	14.0%	283,453	104,320	58.2%
2023-24 <i>budgeted</i> ⁴	14.0%	342,067	58,614	20.7%
2024-25 <i>budgeted</i> ⁴	14.0%	382,452	40,385	11.8%

¹ Amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which took effect January 1, 2019.

² Figures for fiscal year 2018-19 through fiscal year 2021-22 are actuals.

³ Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

⁴ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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 2022-23 is \$186.3 million, a \$334.1 million (64.2%) decrease from fiscal year 2021-22. The fiscal year 2023-24 original budget is \$222.0 million, an increase of \$35.7 million (19.2%) from fiscal year 2022-23. The fiscal year 2024-25 original budget is \$269.6 million, an increase of \$47.7 million (21.5%) from prior year budget. The entirety of RPTT revenue is recorded in the General Fund.

Due to the highly progressive nature of the tax, the volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over \$10 million. The overall number of transactions over \$10 million dropped from 101 transfers in fiscal year 2021-22 to 55 transfers in fiscal year 2022-23, a 45.5% decline. Transfers under \$10 million also declined by 33.4% year-over year. Additionally, fiscal year 2021-22 saw two large, once-in-a-generation transfers in the first six months of 2022, skewing prior year results. The effect of Proposition I in fiscal year 2021-22, which took effect in January 2021, is 47.0 million in fiscal year 2022-23. The fiscal year 2023-24 and 2024-25 forecasts slowly increase from fiscal year 2022-23 pre-audit results, anticipating slow increases in transfers as buyers and sellers begin to come into agreement about market prices of large real estate transactions. However, the interest rate environment and uncertainty around the value of office-based real estate with the shift to hybrid models of work is expected to continue to dampen the City's transfer tax receipts.

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 2019-20 through 2024-25
(000s)

Fiscal Year ¹	Revenue	Change	
2019-20	334,535	(29,509)	-8.1%
2020-21	344,683	10,148	3.0%
2021-22	520,359	175,676	51.0%
2022-23 <i>pre-audit</i> ²	186,247	(334,112)	-64.2%
2023-24 <i>budgeted</i> ³	221,960	35,713	19.2%
2024-25 <i>budgeted</i> ³	269,630	47,670	21.5%

¹ Figures for fiscal year 2019-20 through fiscal year 2021-22 are actuals.

² Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

³ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.6250%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City.

The components of San Francisco's 8.6250% sales tax rate are shown in Table A-14. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail under "INTERGOVERNMENTAL REVENUES" herein.

TABLE A-14

San Francisco's Sales & Use Tax Rate	
State Sales Tax	6.00%
State General Fund	3.9375%
Local Realignment Fund 2011*	1.0625%
Local Revenue Fund*	0.50%
(to counties for health & welfare)	
Public Safety Fund (to counties & cities)*	0.50%
Local Sales Tax	1.25%
Local Sales Tax (to General Fund)*	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	1.375%
2020 Peninsula Corridor Joint Powers	
Board Transactions and Use Tax (JPBF)	0.125%
SF County Transportation Authority	0.50%
Bay Area Rapid Transit (BART)	0.50%
SF Public Financing Authority (Schools)	0.25%
TOTAL Sales Tax Rate	8.625%

* Represents portions of the sales tax allocated to the City.

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

The pre-audit local sales tax (the 1% portion) revenue in fiscal year 2022-23 is \$197.9 million, an increase of \$9.6 million (5.1%) from fiscal year 2021-22. The original budget for fiscal year 2023-24 is \$200.0 million, an increase of \$2.1 million (1.1%) from the fiscal year 2022-23 pre-audit actual. The fiscal year 2024-25 original budget is \$205.2 million, an increase of \$5.2 million (2.6%) from fiscal year 2023-24 original 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.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2019-20 through 2024-25
General Fund
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
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	8.625%	1.00%	188,337	41,474	28.2%
2022-23 <i>pre-audit</i> ²	8.625%	1.00%	197,911	9,574	5.1%
2023-24 <i>budgeted</i> ³	8.625%	1.00%	200,049	2,138	1.1%
2024-25 <i>budgeted</i> ³	8.625%	1.00%	205,243	5,194	2.6%

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

² Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

³ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (“UUT”) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- Access Line Tax (“ALT”) – As of July 1, 2022, 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 several times. The cannabis tax will now take effect beginning January 1, 2026.

- **Franchise Tax** – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.
- **Overpaid Executives Tax** – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses’ highest-paid managerial employee compared to the median compensation paid to the businesses’ employees based in the City exceeds a ratio of 100:1. The measure took effect on January 1, 2022 for tax year 2022, so revenues were first received in fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, large annual fluctuations in the value and form of executive compensation, which typically includes equity, and tax-avoidance risk associated with tax increases. Estimates based on prior years’ activity may not be predictive of future revenues. Pre-audit actuals for fiscal year 2022-23 revenue is \$206.0 million and the original budget for 2023-24 and 2024-25 is \$100.0 million per year.

Table A-16 reflects the City’s actual tax receipts for fiscal years 2010-20 through 2022-23 and original budget for fiscal years 2023-24 and 2024-25, respectively.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the pace of economic recovery. See “CITY BUDGET: Original Budget for Fiscal Years 2023-24 and 2024-25 and Revenue Letter” for a summary of the most recent projections.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO						
Other Local Taxes						
Fiscal Years 2019-20 through 2024-25						
General Fund						
(000s)						
Tax	2019-20 Actuals	2020-21 Actuals	2021-22 Actuals	2022-23 Pre-audit ²	2023-24 Budgeted ³	2024-25 Budgeted ³
Utility Users Tax	\$94,231	\$81,367	\$105,225	\$110,615	\$112,544	\$111,529
Access Line Tax	49,570	44,700	55,710	53,171	\$57,210	57,660
Parking Tax	69,461	47,555	71,122	82,716	87,900	90,600
Sugar Sweetened Beverage Tax	13,182	10,435	11,973	12,870	13,740	13,740
Stadium Admissions Tax	2,730	182	4,615	5,984	9,100	10,100
Cannabis Tax	N/A	N/A	N/A	-	-	-
Franchise Tax	16,028	14,898	15,494	15,350	15,620	15,620
Overpaid Executives Tax	N/A	N/A	N/A	206,041	100,000	100,000

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

² Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

³ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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 2019-20 through 2022-23 and original budget for fiscal years 2023-24 and 2024-25. In fiscal year 2022-23, State-wide sales tax performed better than local sales tax; therefore, formula-driven subventions grew faster than local sales tax. The State temporarily backfilled county realignment revenues by \$28.0 million in fiscal year 2020-21.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2019-120through 2024-25
(\$millions)

Tax	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actuals	Actuals	Actuals	Pre-audit ²	Budgeted ³	Budgeted ³
Health and Welfare Realignment						
General Fund	\$219.6	\$188.9	\$283.5	\$290.7	\$281.6	\$290.7
Hospital Fund	54.1	48.1	67.1	67.9	64.4	64.4
Total - Health and Welfare	\$273.7	\$237.1	\$350.6	\$358.6	\$346.0	\$355.1
Backfill Realignment⁴						
General Fund		\$22.1				
Non General Fund		6.0				
Total - Backfill Realignment		\$28.0				
Public Safety Realignment (General Fund)	\$41.1	\$38.4	\$52.1	\$58.6	\$51.6	\$53.1
Public Safety Sales Tax (Prop 172) (General Fund)	\$103.9	\$105.0	\$ 93.8	\$ 94.9	\$100.4	\$102.8

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

2 Fiscal year 2022-23 amounts represent pre-audit actuals as of 9/8/2023.

3 Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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

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

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in Table A-18 below:

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO Expenditures by Major Service Area Fiscal Years 2019-20 through 2024-25 (000s)						
Major Service Areas	2019-20 Final Budget	2020-21 Final Budget	2021-22 Final Budget	2022-23 Original Budget ²	2023-24 Original Budget ³	2024-25 Original Budget ³
Public Protection	\$1,493,240	\$1,505,780	\$1,586,264	\$1,675,801	\$1,747,204	\$1,779,540
Human Welfare & Neighborhood Development	1,270,530	218,986	1,571,761	1,576,410	1,604,163	1,615,373
Community Health	1,065,051	1,605,573	1,119,891	1,162,956	1,125,977	1,157,023
General Administration & Finance	332,296	1,158,599	353,518	338,055	345,406	357,335
Culture & Recreation	161,274	147,334	161,417	197,596	201,453	202,539
General City Responsibilities	137,851	332,997	156,892	226,931	184,513	237,146
Public Works, Transportation & Commerce	216,824	126,993	244,365	262,733	242,912	233,446
Total ²	\$4,677,066	\$5,096,262	\$5,194,108	\$5,440,482	\$5,451,628	\$5,582,402

¹ Figures for fiscal year 2018-19 through fiscal year 2021-22, as reflected in ACFR.

² Fiscal year 2022-23 amount represent the Original Budget, adopted July 27, 2022. Final Revised Budget is pending completion of FY 2022-23 ACFR.

³ Fiscal year 2023-24 and 2024-25 amounts from Original Budget, adopted July 27, 2023.

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 2023-24 and 2024-25 spending requirements as of the FY24 & FY25 Original Budget. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO		
Baselines & Set-Asides		
FY 2023-24 and FY 2024-25		
(\$millions)		
	2023-24 Original Budget ¹	2024-25 Original Budget ¹
Projected General Fund Aggregate Discretionary Revenue (ADR)	\$4,492.4	\$4,633.2
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	\$317.9	\$328.1
MTA - Parking & Traffic Baseline: 2.507% ADR	\$112.6	\$116.2
MTA - Population Adjustment	\$82.8	\$91.7
MTA - 80% Parking Tax In-Lieu	\$67.3	\$70.3
Subtotal - MTA	\$580.6	\$606.2
Library Preservation Fund		
Library - Baseline: 2.286% ADR	\$102.7	\$105.9
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	\$79.5	\$79.4
Subtotal - Library	\$182.2	\$185.3
Children's Services		
Children's Services Baseline - Requirement: 4.830% ADR	\$217.0	\$223.8
Children's Services Baseline - Eligible Items Budgeted	221.0	244.6
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	26.1	26.9
Transitional Aged Youth Baseline - Eligible Items Budgeted	36.9	39.2
Public Education Services Baseline: 0.290% ADR	13.0	13.4
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	127.2	127.1
Public Education Enrichment Fund: 3.057% ADR	137.3	141.6
1/3 Annual Contribution to Preschool for All	45.8	47.2
2/3 Annual Contribution to SF Unified School District	91.6	94.4
Subtotal - Children's Services	\$535.5	\$565.9
Recreation and Parks		
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	\$79.5	\$79.4
Recreation & Parks Baseline - Requirement	82.2	85.2
Recreation & Parks Baseline - Budgeted	88.5	91.8
Subtotal - Recreation and Parks	\$168.1	\$171.3
Other		
Housing Trust Fund Requirement	\$44.5	\$47.3
Housing Trust Fund Budget	44.5	47.3
Dignity Fund	56.1	59.1
Street Tree Maintenance Fund: 0.5154% ADR	22.8	23.8
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	4.3	4.4
City Services Auditor: 0.2% of Citywide Budget	26.0	25.8
Subtotal - Other	\$153.7	\$160.3
Recently Adopted Expenditure Requirements		
Our City, Our Home Baseline Requirement (Nov 2018 Prop C)	215.0	215.0
Our City, Our Home Budget, Estimated	393.1	388.5
Early Care and Education Baseline Requirement (June 2018 Prop C)	93.2	97.1
Early Care and Education Budget	73.8	83.7
Total Baselines and Set-Asides	\$2,087.0	\$2,161.2

¹ Fiscal year 2023-24 and 2024-25 amounts represent the Original Budget, adopted July 25, 2023.

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 \$6.7 billion and \$6.9 billion in fiscal years 2023-24 and 2024-25 in the Original Budget. For the General Fund, the combined salary and benefits Original Budget is \$3.1 billion in each fiscal year.

This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-employment health and medical benefits. SFUSD, SFCCD and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's FY24 & FY25 Original Budget includes 40,453 full-time and part-time budgeted City positions. City workers are represented by 36 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021; 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.

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

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

In 2023, the City negotiated a 2.5% base wage increase with labor organizations representing sworn members of the Police and Fire departments due on July 1, 2023 and 2.25% on January 6, 2024. For fiscal year 2024-2025, the parties agreed to a base wage increase of 3.0% on January 4, 2025 with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2024-25, as projected in the March 2024 Joint Report, exceeds \$300 million. For fiscal year 2025-2026, the parties agreed to a base wage increase of 3.0% on July 1, 2025 with a provision to delay the increase by one year if the City's budget deficit for fiscal year 2025-26, as projected in the March 2025 Joint Report, exceeds \$300 million. See "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary of the March Joint Report. For fiscal year 2023-24, the Unrepresented Employee Ordinance was passed approving a wage increase of 2.5% on July 1, 2023 and 2.25% on January 6, 2024.

In May 2022, the City negotiated two-year agreements (for fiscal years 2022-23 through 2023-24) with 27 labor unions. For 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 March 2023 Joint Report, exceeds \$300 million. See "CITY BUDGET: Five-Year Financial Plan, Mayor's Budget Instructions, and March Joint Report" for a summary of the March Joint Report.

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, collectively referred to as Service-Critical. The parties agreed to the same wage increase schedule as provided in the City agreements, with the same wage deferral triggers.

In the Fall of 2023, the City and MTA plan to commence bargaining successor MOUs with 27 labor unions potentially with negotiated wage increases coming into effect on July 1, 2024.

On July 24, 2023, the California Public Employment Relations Board ("PERB") ruled in favor of the SEIU and IFPTE, concluding that City Charter sections A8.346 and A8.409 prohibiting strikes by City employees are invalid, affirming an earlier ruling of an administrative law judge that such City Charter provisions violate the Meyers-Milias-Brown Act. The City has filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. The City can give no assurance whether the appeal will be successful.

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TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of September 1, 2023

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	554	30-Jun-24
Bricklayers, Local 3	6	30-Jun-24
Building Inspectors' Association	85	30-Jun-24
Carpenters, Local 22	115	30-Jun-24
Carpet, Linoleum & Soft Tile	4	30-Jun-24
Cement Masons, Local 300	43	30-Jun-24
Deputy Probation Officers' Association (DPOA)	120	30-Jun-24
Deputy Sheriffs' Association (DSA)	793	30-Jun-24
Electrical Workers, Local 6	1,047	30-Jun-24
Firefighters' Association, Local 798	2,028	30-Jun-26
Glaziers, Local 718	14	30-Jun-24
Hod Carriers, Local 36	4	30-Jun-24
Ironworkers, Local 377	14	30-Jun-24
Laborers, Local 261	1,237	30-Jun-24
Municipal Attorneys' Association (MAA)	510	30-Jun-24
Municipal Executives' Association (MEA) Fire	12	30-Jun-26
Municipal Executives' Association (MEA) Miscellaneous	1,752	30-Jun-24
Municipal Executives' Association (MEA) Police	16	30-Jun-26
Operating Engineers, Local 3 Miscellaneous	68	30-Jun-24
Operating Engineers, Local 3 Supervising Probation	28	30-Jun-24
Pile Drivers, Local 34	27	30-Jun-24
Plumbers, Local 38	369	30-Jun-24
Police Officers' Association (POA)	2,399	30-Jun-26
Professional and Technical Engineers, Local 21	7,394	30-Jun-24
Roofers, Local 40	13	30-Jun-24
SEIU, Local 1021, H-1	1	30-Jun-24
SEIU, Local 1021 Misc	13,609	30-Jun-24
SEIU, Local 1021 Nurses	1,868	30-Jun-24
SF City Workers United	145	30-Jun-24
SFDA Investigators Association	44	30-Jun-24
Sheet Metal Workers, Local 104	39	30-Jun-24
Sheriffs' Supervisory and Management Association (MSA)	119	30-Jun-24
Stationary Engineers, Local 39	707	30-Jun-24
Teamsters, Local 853	192	30-Jun-24
Teamsters, Local 856, Multi	102	30-Jun-24
Teamsters, Local 856, Supervising Nurses	136	30-Jun-24
Theatrical Stage Emp, Local 16	34	30-Jun-24
TWU, Local 200	537	30-Jun-24
TWU, Local 250-A, Auto Service Work	134	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)	212	30-Jun-24
Unrepresented Employees	94	30-Jun-24
Other	1,007	
	40,453	

San Francisco Employees' Retirement System

History and Administration

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

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

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as Chief Executive Officer and Chief Investment Officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2022 is 45,284, compared to 44,770 as of July 1, 2021. Active membership as of July 1, 2022 includes 11,066 terminated vested members and 1,019 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as California Public Employees' Retirement System ("CalPERS") and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 31,719 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, 2018 through July 1, 2022. 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 and again in 2022 with the two-year decline in number of active members.

TABLE A-21

City and County of San Francisco Employees' Retirement System July 1, 2018 through July 1, 2022						
As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Retiree to Active Ratio
2018	33,946	8,123	1,060	43,129	29,965 *	0.88
2019	34,202	8,911	1,044	44,157	29,490	0.86
2020	34,521	9,478	1,071	45,070	30,128	0.87
2021	33,644	10,066	1,060	44,770	30,854	0.92
2022	33,199	11,066	1,019	45,284	31,719	0.96
Sources: SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org , under Publications. The information on such website is not incorporated herein by reference.						
Notes: Member counts are for the entire Retirement System and include non-City employees. * Retiree member counts duplicated 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

The fiscal year 2021-22 employer contribution rate was 24.41% (estimated to be 20.88% after cost-sharing). The 2021-22 fiscal year City employer contributions to the Retirement System were \$729.0 million, which includes \$423.4 million from the General Fund. The fiscal year 2022-23 employer contribution rate is 21.35% (estimated to be 18.76% after cost-sharing), with a total budget of \$707.7 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 3.25%. As discussed under "CITY BUDGET – Five-Year Financial Plan and Mayor's Budget Instructions", 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 2017-18 through 2021-22. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

TABLE A-22

**City and County of San Francisco
Employees' Retirement System
July 1, 2018 through July 1, 2022
(Dollar amounts in 000s)**

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates ¹ in prior FY
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%
2022	33,591,565	32,798,524	32,275,474	97.6%	96.1%	1,191,934	24.41%

¹ Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2022-23 and 2023-24 are 21.35% and 18.24%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st. See the Retirement System's website, mysfers.org, under Publications.
The information on such website is not incorporated herein by reference.

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

As shown in the table above as of July 2022, the market percent funded ratio is slightly higher than the actuarial percent funded ratio, reflecting net asset gains not yet recognized in the smoothed actuarial value of assets. The Retirement System's investment portfolio had a -2.9% return during fiscal year 2021-22 following the 33.7% return during fiscal year 2020-21, the highest fiscal return in the System's history. The July 1, 2022 actuarial value of assets only reflects 20% of the negative 2021-22 return and 40% of the extraordinary 2020-21 return. Global markets remain volatile due to continued uncertainty about tighter monetary policy, rising rates, inflation, and geopolitical risk. Employer contribution rates are anticipated to continue to decline in the next two 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. The most recent actuarial audit was completed in July 2023.

Risks to City's Retirement Plan

In its July 2022 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. If the pension plan is less than fully funded on a market-value basis, certain groups of retirees may not receive a supplemental COLA at all or their supplemental COLA may be limited. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a supplemental COLA when granted typically represents a 1.5% increase in benefit.

Cheiron's July 2022 report provides stress testing of the supplemental COLA provision and shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk with contributions remaining very close to baseline and a relatively stable funded status.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return 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 2017-2018 through 2021-2022 (Dollar amounts in 000s)						
As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate %	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2018	\$ 28,840,673	7.50%	\$ 24,557,966	85.2%	\$ 4,993,365	\$ 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)
2022	35,489,639	7.20%	32,798,524	92.4%	2,691,115	2,552,997

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

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

NPL can be quite volatile. The increase in NPL 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. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during that year, while the increase at fiscal year-end 2022 is due to both the -2.9% return and also to a reduction in discount rate from 7.4% to 7.2%.

Asset Management

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

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2022 was 9.83%. For the ten-year and twenty-year periods ending June 30, 2022, annualized investment returns were 9.90% and 8.28% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System’s investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. These documents are not incorporated herein by reference.

Voter Approved Changes to the Retirement Plan

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

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2022, the audited market value of Retirement System assets was \$32.8 billion. As of July 31, 2023, the unaudited value of the System assets was \$34.5 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 \$52.0 million in fiscal year 2021-22. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020; \$5.0 million in fiscal year 2021-22; and \$16.7 million in fiscal year 2022-23 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits" and "GASB 75 Reporting Requirements."

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court; however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service System Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website at sfhss.org, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "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 the majority of City employees negotiate through collective bargaining rather than applying the "average contribution" to determine the amount the City is required to contribute for active employees. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*Post-Employment Health Care Benefits.*"

City Contribution for Retirees

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

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

Health Care Reform

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

Three ACA taxes 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 2021-22, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$861 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$732 million; approximately \$211 million of this \$732 million amount was for health care benefits for approximately 23,395 retired City employees and their eligible dependents, and approximately \$520 million was for benefits for approximately 31,229 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 1.4%, 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, use of generic prescription, and implementing flex-funded plans using narrow networks. Flex-funding eliminates the typical margins added by health plans; however, more risk is assumed by the city, and reserves are required to protect against this risk.

Post-Employment Health Care Benefits

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, 2022 is approximately \$739.9 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, 2021 (issued January 2023), used in the most recent actuarial valuation report updated to June 30, 2021, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 16.3%. This reflects the net position of the Retiree Health Care Trust Fund in the amount of \$718.8 million divided by the total OPEB liability of \$4.4 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$3.96 billion, and the ratio of the Net OPEB liability to the covered payroll was 93.3%.

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 2021-22 the annual OPEB expense was \$272.0 million, and the City paid \$252.9 million, which includes "pay-as-you-go" benefit payments and contributions to the Retiree Health Care Trust Fund.

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TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2015-16 to 2021-22
(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 ¹	355,186	57.4%	3,717,209
2018-19	320,331	68.2%	3,600,967
2019-20	330,673	71.4%	3,915,815
2020-21	320,684	76.7%	3,823,335
2021-22	272,001	93.0%	3,691,121

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.

Total City Employee Benefits Costs

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

Table A-25 below provides a summary of the City’s employee benefit actual costs for fiscal years 2018-19 through 2021-22 and budgeted costs for fiscal years 2022-23 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 Actual ¹	2022-23 Unaudited ⁴	2023-24 Budget ⁵
SFERS and PERS Retirement Contributions	\$650,011	\$759,933	\$823,317	\$771,705	\$753,590	\$685,222
Social Security & Medicare	\$219,176	\$231,557	\$229,044	\$241,735	\$259,415	\$289,837
Health - Medical + Dental, active employees ²	\$522,006	\$555,780	\$564,453	\$570,262	\$582,189	\$644,225
Health - Retiree Medical ²	\$186,677	\$196,641	\$216,916	\$222,556	\$215,885	\$239,051
Other Benefits ³	\$26,452	\$28,493	\$24,111	\$20,766	\$19,084	\$76,761
Total Benefit Costs	\$1,604,322	\$1,772,403	\$1,857,841	\$1,827,024	\$1,830,164	\$1,935,097

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 year 2022-23 represent pre-audit actuals as of August 22, 2023.

⁵ Figures for fiscal year 2023-24 reflect the budget adopted July 25, 2023.

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 August 31, 2023, the City’s surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

TABLE A-26

**City and County of San Francisco
Investment Portfolio
Pooled Funds
As of August 31, 2023**

<u>Type of Investment</u>	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>
U.S. Treasuries	\$3,525,000,000	\$3,520,123,490	\$3,292,257,750
Federal Agencies	7,088,706,000	7,082,860,076	6,864,995,951
Public Time Deposits	40,000,000	40,000,000	40,000,000
Negotiable Certificates of Deposit	2,130,000,000	2,130,000,000	2,128,770,500
Commercial Paper	221,000,000	215,755,293	215,825,060
Money Market Funds	1,688,716,031	1,688,716,031	1,688,716,031
Supranationals	636,156,000	638,346,137	613,707,526
Total	<u>\$15,329,578,031</u>	<u>\$15,315,801,028</u>	<u>\$14,844,272,818</u>

August Earned Income Yield: 3.053%

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

TABLE A-27

**City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of August 31, 2023**

<u>Maturity in Months</u>			<u>Par Value</u>	<u>Percentage</u>
0	to	1	2,415,339,031	15.76%
1	to	2	715,426,000	4.67%
2	to	3	350,000,000	2.28%
3	to	4	597,000,000	3.89%
4	to	5	637,856,000	4.16%
5	to	6	391,155,000	2.55%
6	to	12	2,708,114,000	17.67%
12	to	24	3,449,645,000	22.50%
24	to	36	2,550,415,000	16.64%
36	to	48	1,412,128,000	9.21%
48	to	60	102,500,000	0.67%
			<u>\$15,329,578,031</u>	<u>100.00%</u>

Weighted Average Maturity: 477 Days

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

Further Information

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

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("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 2024-2033 Capital Plan ("Adopted Capital Plan") was approved by the CPC on February 27, 2023 and was adopted by the Board of Supervisors on May 9, 2023. The Adopted Capital Plan contains \$41.4 billion in capital investments over the coming decade for all City departments, including \$5.8 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes \$2.2 billion for

General Fund pay-as-you-go capital projects over the next 10 years. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects, and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$2.7 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Adopted Capital Plan recommends over \$19.0 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as SFMTA facilities, seawall strengthening, terminal 1 and 3 upgrades at San Francisco International Airport, water, sewer, and power enterprise improvements, and building adequate facilities to support the City's growing transit fleet, among others. Approximately \$8.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by general obligation bonds, federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's Adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$6.7 billion in capital needs including enhancements are deferred from the plan's horizon.

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of September 15, 2023, 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 September 15, 2023 ^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2023-24	\$179,681,206	\$104,757,786	\$284,438,992
2024-25	181,456,476	96,440,893	277,897,368
2025-26	168,786,279	88,136,881	256,923,160
2026-27	175,770,840	80,526,427	256,297,268
2027-28	182,379,035	72,846,056	255,225,091
2028-29	184,666,751	65,193,554	249,860,305
2029-30	183,105,095	57,164,224	240,269,319
2030-31	148,541,950	49,359,783	197,901,733
2031-32	154,120,000	43,478,084	197,598,084
2032-33	123,215,000	37,554,013	160,769,013
2033-34	105,695,000	32,904,522	138,599,522
2034-35	99,905,000	29,134,895	129,039,895
2035-36	85,135,000	25,681,630	110,816,630
2036-37	74,915,000	22,738,763	97,653,763
2037-38	66,450,000	20,149,611	86,599,611
2038-39	48,340,000	17,815,652	66,155,652
2039-40	48,355,000	16,131,920	64,486,920
2040-41	43,040,000	14,422,231	57,462,231
2041-42	44,675,000	12,790,188	57,465,188
2042-43	46,380,000	11,078,137	57,458,137
2043-44	48,165,000	9,296,299	57,461,299
2044-45	50,020,000	7,438,235	57,458,235
2045-46	46,575,000	5,506,630	52,081,630
2046-47	13,465,000	3,713,546	17,178,546
2047-48	14,040,000	3,137,495	17,177,495
2048-49	5,345,000	2,535,881	7,880,881
2049-50	5,530,000	2,354,712	7,884,712
2050-51	5,725,000	2,159,925	7,884,925
2051-52	5,935,000	1,950,338	7,885,338
2052-53	6,155,000	1,732,790	7,887,790
2053-54	6,380,000	1,506,973	7,886,973
2054-55	6,610,000	1,272,671	7,882,671
2055-56	6,855,000	1,029,667	7,884,667
2056-57	7,110,000	777,438	7,887,438
2057-58	7,370,000	515,551	7,885,551
2058-59	3,895,000	243,790	4,138,790
2059-60	4,010,000	123,668	4,133,668
TOTAL ⁴	\$2,587,797,632	\$943,600,858	\$3,531,398,490

¹ This table only includes the City's General Obligation Bonds and does not include any of the overlapping debt as shown in Table A-33.

² Totals reflect rounding to nearest dollar.

³ Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of assessed value.

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

Authorized but Unissued City GO Bonds

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

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

In November 2018, voters approved Proposition A ("2018 Embarcadero Seawall Improvement Proposition"), authorizing the issuance of up to \$425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. In 2020 and 2023, the City issued the first two series of bonds in the principal amount of \$88.7 million, leaving \$336.3 million authorized and unissued.

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

In March 2020, voters approved Proposition B ("2020 Earthquake Safety and Emergency Response Proposition") which authorized the issuance of up to \$628.5 million in general obligation bonds to aid fire, earthquake and emergency response by improving, constructing, and/or replacing: deteriorating cisterns, pipes, tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs. In 2021, the City closed the first four series of bonds with a total principal amount of \$167.8 million, leaving \$460.7 million authorized and unissued.

In November 2020, voters approved Proposition A ("2020 Health and Recovery Bond"), which authorized the issuance of up to \$487.5 million in general obligation bonds to fund permanent investments in transitional supportive housing facilities, shelters, and/or facilities that serve individuals experiencing homelessness, mental health challenges, or substance use; improve the safety and quality of parks; and

improve the safety and condition of streets and other public rights of way. In 2021 and 2023, the City issued the first three series of bonds in an aggregate principal amount of \$287.3 million, leaving approximately \$200.2 million authorized and unissued.

Refunding General Obligation Bonds

The Board of Supervisors has adopted and the Mayor has approved three different resolutions (the “Refunding Resolutions”) authorizing the issuance of approximately \$3.8 billion in aggregate of general obligation refunding bonds in one or more series. Resolution No. 272-04 (approved in May 2004) authorized the issuance of \$800.0 million to refund all or a portion of the City’s outstanding General Obligation Bonds. Resolution No. 448-11 (approved in November 2011) authorized the issuance of approximately \$1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. Resolution No. 097-20 (approved in March 2020) authorized the issuance of approximately \$1.5 billion for the purpose of refunding certain outstanding General Obligation Bonds of the City. The refunding bonds outstanding as of September 15, 2023, 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 September 15, 2023

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2015-R1	February 2015	\$293,910,000	\$164,190,000 ¹
2020-R1	May 2020	195,250,000	154,940,000 ²
2021-R1	May 2021	91,230,000	75,990,000 ³
2021-R2	September 2021	86,905,000	43,585,000 ⁴
2022-R1	May 2022	327,300,000	302,060,000 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 amounts issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of September 15, 2023, the City had authorized and unissued general obligation bond authority of approximately \$1.3 billion.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of September 15, 2023¹

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	\$12,172,632	
			2015A	\$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	\$72,420,000	\$68,700,000	
			2020C	\$102,580,000	\$93,580,000	\$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	\$24,190,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$5,735,000	-
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	\$117,950,000	
			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	\$17,190,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	-	
			2016E	\$44,145,000	\$30,095,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	-	
			2016B	\$43,220,000	\$18,620,000	
			2018A	\$76,710,000	\$37,480,000	
			2019B	\$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	-	
			2016D	\$109,595,000	\$58,000,000	
			2018C	\$189,735,000	\$116,640,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$33,740,000	
			2018B	\$174,445,000	\$85,235,000	
			2020B	\$135,765,000	\$100,450,000	
			2021C-1	\$104,785,000	\$83,230,000	
			2021C-2	\$18,000,000	-	-
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$38,780,000	
			2018D	\$142,145,000	\$85,790,000	
			2019C	\$92,725,000	\$21,845,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$96,445,000	
			2018E	\$49,955,000	\$31,030,000	
			2020D-1	\$111,925,000	\$77,650,000	
			2020D-2	\$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	-	
			2023B	\$39,020,000	-	\$336,305,000
Affordable Housing Bond	11/5/19	\$600,000,000	2021A	\$254,585,000	\$168,425,000	
			2023C	\$170,780,000	\$107,025,000	\$174,635,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000	2021B-1	\$69,215,000	\$64,335,000	
			2021B-2	\$11,500,000	-	
			2021E-1	\$74,090,000	\$59,520,000	
			2021E-2	\$13,000,000	-	\$460,695,000
Health and Recovery Bond	11/4/20	\$487,500,000	2021D-1	\$194,255,000	\$164,395,000	
			2021D-2	\$64,250,000	-	
			2023A	\$28,785,000	\$28,785,000	\$200,210,000
SUBTOTAL		\$5,978,700,000		\$4,721,170,450	\$1,847,032,632	\$1,257,529,550
General Obligation Refunding Bonds						
Series 2015-R1	2/25/15			\$293,910,000	\$164,190,000	
Series 2020-R1	5/7/20			\$195,250,000	\$154,940,000	
Series 2021-R1	5/6/21			\$91,230,000	\$75,990,000	
Series 2021-R2	9/16/21			\$86,905,000	\$43,585,000	
Series 2022-R1	5/18/22			\$327,300,000	\$302,060,000	
SUBTOTAL				\$994,595,000	\$740,765,000	
TOTALS		\$5,978,700,000		\$5,715,765,450	\$2,587,797,632	\$1,257,529,550

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

² 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 September 15, 2023.

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of September 15, 2023^{1 2}

Fiscal Year	Principal	Interest ³	Annual Payment Obligation
2023-24 ⁴	\$63,736,503	\$57,417,142	\$121,153,645
2024-25	74,653,037	58,067,122	132,720,159
2025-26	75,198,229	54,445,064	129,643,293
2026-27	75,603,731	50,749,535	126,353,267
2027-28	70,855,000	47,156,600	118,011,600
2028-29	74,115,000	43,689,945	117,804,945
2029-30	77,340,000	40,220,141	117,560,141
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	24,174,242	84,689,242
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
TOTAL ⁵	\$1,411,226,500	\$644,372,769	\$2,055,599,269

¹ Includes privately placed lease purchase financings and excludes the 833 Bryant lease and commercial paper.

² Actual payment dates are used to project outstanding payment obligations.

³ Totals reflect rounding to nearest dollar.

⁴ 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 principal amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue additional bonds at this time.

In 1990, voters approved Proposition C ("1990 Proposition C"), which amended the Charter to authorize the City to lease purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. 1990 Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed \$20.0 million, with such amount increasing by five percent each fiscal year. As of July 1, 2023, the total authorized and unissued amount for such financings was \$100 million. There is no current plan to issue additional bonds at this time.

In 1994, voters approved Proposition B ("1994 Proposition B"), which authorized the issuance of up to \$60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued \$22.6 million and \$23.3 million of 1994 Proposition B lease revenue bonds, respectively, leaving \$14.1 million in remaining authorization. There is no current plan to issue additional series of bonds under 1994 Proposition B.

In 2000, voters approved Proposition C ("2000 Proposition C"), which extended a two and one-half cent per \$100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). 2000 Proposition C also authorized the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenue bonds to refund Series 2006 and 2007 Open Space Fund lease revenue bonds.

In 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two and one-half cent per \$100.0 in assessed valuation property tax set-aside and established a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. In August 2018 the City issued refunding lease revenue bonds to refund Series 2009A Branch Library Improvement Project lease revenue bonds.

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

TABLE A-32

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds¹
As of September 15, 2023

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
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	2,340,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	27,815,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	19,935,000
Refunding Series 2014-R2 (Juvenile Hall Project)	2034	33,605,000	21,395,000
Series 2015A (War Memorial Veterans Building)	2045	112,100,000	110,250,000
Series 2015B - Taxable (War Memorial Veterans Building)	2024	22,225,000	1,255,000
Refunding Series 2015-R1 (City Office Buildings - Multiple Properties)	2040	123,600,000	97,940,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	9,750,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	24,595,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	358,170,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	240,545,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	84,870,000
Refunding Series 2020-R1 (Multiple Capital Improvement Projects)	2033	70,640,000	62,785,000
Series 2020 (Animal Care & Control Project)	2041	47,075,000	43,990,000
Series 2021A (Multiple Capital Improvement Projects)	2041	76,020,000	73,440,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		\$1,539,525,000	\$1,313,455,000
LEASE PURCHASE FINANCINGS			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	\$22,549,489	\$5,387,856
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	12,618,644
SUBTOTAL LEASE PURCHASE FINANCINGS		\$56,733,625	\$18,006,500
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	\$72,670,000	\$25,400,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	25,400,000
Refunding Series 2010-R1 (Emergency Communications System)	2024	22,280,000	1,985,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	19,600,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	7,380,000
SUBTOTAL LEASE REVENUE BONDS		\$215,925,000	\$79,765,000
TOTAL GENERAL FUND OBLIGATIONS		\$1,812,183,625	\$1,411,226,500

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

Board Authorized and Unissued Long-Term Certificates of Participation

Certain issuances below have been authorized as supplements to a lease (“Master Lease”), which currently supports the City’s outstanding Certificates of Participation (“COPs”), Series 2012A, Series 2019-R1, Series 2020-R1, and Series 2021A, by and between the City and a third-party trustee, currently U.S. Bank National Association. Properties leased pursuant to the Master Lease currently include the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco, and the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno.

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed \$13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance of these certificates.

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) authorized under the Master Lease to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City has issued commercial paper to finance these projects and is paying down its commercial paper balance rather than issuing long-term 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 principal amount of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) authorized under the Master Lease to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City funded \$4.6 million in project fund and related financing costs related to this authorization for the 444 Sixth Street acquisition as part of the Certificates of Participation, Series 2021A. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

HOPE SF Project: In December 2019, the Board authorized, and the Mayor approved the issuance of not to exceed \$83.6 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease to finance or refinance certain capital improvements, including but not limited to certain properties generally known as Hunters View, Sunnysdale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the first long-term COPs under this authorization in fiscal year 2024-25.

Department of Public Health Facilities Improvements: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed \$157.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance projects for the Department of Public Health (“DPH”), including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the long-term COPs in fiscal year 2024-25.

Critical Repairs and Recovery Stimulus (FY2022): In July 2021, the Board authorized and the Mayor approved the issuance of not to exceed \$67.5 million of City and County of San Francisco Certificates of

Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local economic stimulus projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Critical Repairs, Recovery Stimulus and Street Repaving Projects (FY2023): In July 2022, the Board authorized and in August 2022 the Mayor approved the issuance of not to exceed \$140.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of (a) street repaving and reconstruction, (b) critical repairs, including renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and (c) local economic stimulus projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Affordable Housing and Community Development Projects: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed \$146.8 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvement, affordable housing and community facility development projects. The City is issuing the first series of long-term COPs under the authorization in fiscal year 2023-24 as part of the 2023 COPs.

Refunding Certificates of Participation: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed \$275 million of City and County of San Francisco Refunding Certificates of Participation authorized under the City's Master Lease, to refund the following outstanding COP series: i) Series 2012A (Multiple Capital Improvement Project) COPs, currently outstanding in the aggregate principal amount of \$27,815,000 under the Master Lease; ii) Refunding Series 2014-R2 (Juvenile Hall Project) COPs, currently outstanding in the aggregate principal amount of \$21,395,000; iii) Series 2015A (War Memorial Veterans Building) COPs, currently outstanding in the aggregate principal amount of \$110,250,000; and iv) Refunding Series 2015-R1, currently outstanding in the aggregate principal amount of \$97,940,000. The Refunding COPs may refund one or more series of the authorized outstanding COPs, subject to market conditions and the City's ability to achieve minimum savings thresholds.

Critical Repairs and Street Repaving Projects (FY2024): In September 2023 the Board authorized and [the Mayor approved] the issuance of not to exceed \$77.2 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City anticipates beginning to issue commercial paper to finance the projects in fiscal year 2023-24.

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. 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 a \$150 million revolving credit agreement with Wells Fargo, which expires in March 2026.

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

As of September 15, 2023, the outstanding principal amount of CP Notes is \$40.5 million. The interest rate for the \$20.1 million outstanding tax-exempt CP Notes is 2.95%. The interest rate for the \$20.3 million outstanding taxable CP Notes is 5.50%. 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 is expected to be paid down over time. The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	CP Notes Liability as of 9/15/2023
Housing Trust Fund	\$16,886,789
HOPE SF	3,398,233
DPH Facilities Improvements	14,620,365
Critical Repairs & Recovery Stimulus	4,796,306
Police Vehicle Acquisition	684,793
HOJ Relocation – Tenant Improvements	93,424
TOTAL	\$40,480,000

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of September 15, 2023, 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 September 15, 2023

<u>2023-24 Assessed Valuation</u> (includes unitary utility valuation):	\$344,487,688,208 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,587,797,632
San Francisco Unified School District	1,028,650,000
San Francisco Community College District	396,900,000
TOTAL GENERAL OBLIGATION BONDED DEBT	\$4,013,347,632
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	\$1,411,226,503
TOTAL LEASE OBLIGATION BONDED DEBT	\$1,411,226,503 ²
TOTAL COMBINED DIRECT DEBT	\$5,424,574,135
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (33.728%)	\$824,843,536
San Francisco Community Facilities District No. 6	106,937,949
San Francisco Community Facilities District No. 7	29,215,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,198,152
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	569,220,000
San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2	83,025,000
San Francisco Special Tax District No. 2020-1 Mission Rock Facilities	106,230,000
City of San Francisco Assessment District No. 95-1	205,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	8,175,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,475,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,595,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$1,737,119,637
<u>OVERLAPPING TAX INCREMENT DEBT:</u>	
Successor Agency to the San Francisco Redevelopment Agency	\$783,288,007
Transbay Joint Powers Authority	234,035,000
TOTAL OVERLAPPING INCREMENT DEBT	\$1,017,323,007
<u>OVERLAPPING TAX INCREMENT REVENUE DEBT:</u>	
San Francisco Infrastructure and Revitalization Financing District No. 1	\$28,925,000
TOTAL OVERLAPPING INCREMENT DEBT	\$28,925,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$8,207,941,779 ³
<u>Ratios to 2023-24 Assessed Valuation (\$344,487,688,208)</u>	<u>Actual Ratio</u>
Direct General Obligation Bonded Debt (\$4,013,347,632)	1.17% ⁴
Combined Direct Debt (\$5,424,574,135)	1.57%
Total Direct and Overlapping Bonded Debt	2.38%
<u>Ratio to 2023-24 Redevelopment Incremental Valuation (\$44,580,507,946)</u>	
Total Overlapping Tax Increment Debt	2.28%

¹ Includes \$574,103,600 homeowner's exemption for FY23-24.

² Excludes 833 Bryant lease.

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 0.75%.

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 A.

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 XIII 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 not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "GENERAL FUND REVENUES — 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 of the State approved Proposition 26 (“Proposition 26”), revising certain provisions of Articles XIII A and XIII C of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption was repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

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

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City. See "LEGAL MATTERS AND RISK MANAGEMENT – Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act."

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State 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. In January 2020, the City's former Director of Public Works, Mohammad Nuru, was criminally charged with public corruption, including honest services wire fraud and lying to Federal Bureau of Investigation ("FBI") agents. In February 2020, then-City Attorney Dennis Herrera and Controller Ben Rosenfield announced the initiation of a joint investigation stemming from the federal criminal charges against Mr. Nuru. The City Attorney's Office focused on holding public officials and City vendors accountable. The Controller undertook a public integrity review of contracts, purchase orders, and grants to the City.

Mr. Nuru resigned from employment with the City in January 2021. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter

Wong, a San Francisco construction company executive and permit expediting consultant, who ran or controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

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

In November 2020, Mr. Kelly was charged in a criminal complaint with one count of honest services wire fraud. The complaint alleged that Mr. Kelly also engaged in a long-running bribery scheme and corrupt partnership with Mr. Wong. The complaint further alleged that as part of the scheme, Mr. Wong provided items of value to Mr. Kelly in exchange for official acts by Mr. Kelly that benefited or attempted to benefit Mr. Wong's business ventures. According to the criminal complaint against Mr. Kelly, Mr. Wong bribed Mr. Kelly with thousands of dollars in airfare, meals, jewelry, and travel expenses, as well as by making improvements to Mr. Kelly's home.

Mr. Wong pled guilty in July 2020 and continues to cooperate with the ongoing federal criminal investigation. Mr. Wong has not been sentenced. Mr. Wong settled civilly with the City in May 2021. As part of his civil settlement, he and his companies agreed to pay the City more than \$300,000 in ethics fines and more than \$1 million in restitution. The total restitution amount to the City includes \$73,000 that he received through the SFPUC when Mr. Kelly was General Manager.

Mr. Kelly resigned from employment with the City, effective November 30, 2020. Michael Carlin, former-Deputy General Manager of the SFPUC, then served as the Acting General Manager of the SFPUC through October 31, 2021. Mr. Herrera began serving as General Manager of the SFPUC on November 1, 2021.

Since Mr. Nuru's arrest in January 2020, the Controller's Office, in consultation with the City Attorney, has issued 11 public integrity reviews, all of which can be found on the Controller's website. Ten of the 11 reports focus primarily on City departments other than the SFPUC. The Controller's Office's December 9, 2021, Public Integrity Audit looked specifically at SFPUC's Social Impact Partnership Program and made seven recommendations to strengthen internal controls and oversight. The SFPUC concurred with all seven of those recommendations, and as of December 2022, five of the seven recommendations had been implemented and two were in progress.

In October 2021, a criminal grand jury returned an indictment against Mr. Kelly and Victor Makras, a San Francisco real estate broker and property developer. Mr. Makras formerly served on a number of City boards and commissions, including the Port Commission, Police Commission, Public Utilities Commission, and Retirement Board. In addition to the original charges against Mr. Kelly of conspiracy with Mr. Wong, the indictment added charges of bank fraud and bank fraud conspiracy related to a \$1.3 million loan Mr. Kelly obtained from Quicken Loans.

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to the bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined \$15,200. Mr. Kelly's trial is set to begin on June 26, 2023. The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.

Community Challenge Grant Program Investigation. On August 29, 2023, the San Francisco District Attorney charged Lanita Henriquez, who served as the director of the San Francisco Community Challenge Grant Program under the Office of the San Francisco City Administrator, and Rudolph Dwayne Jones, a former City official who occasionally served as a prime contractor and a subcontractor to the SFPUC, with counts of misappropriation of public monies, bribery, and financial conflict of interest in a government contract. It is alleged that Ms. Henriquez and Mr. Jones misappropriated public money between 2016 and 2020, that Mr. Jones wrote Ms. Henriquez multiple checks in 2017 and 2018 totaling \$25,000, while Ms. Henriquez directed government grant contracts exceeding \$1.4 million to entities controlled by Mr. Jones, in which entities Ms. Henriquez also had a financial stake, between 2016 and 2020.

The San Francisco District Attorney has not alleged any impropriety in connection with the sole grant program Ms. Henriquez administered for the SFPUC and the SFPUC has confirmed that there are no active direct contracts between the SFPUC and Mr. Jones or his affiliated entities. The SFPUC has, however, identified four subcontracts between Mr. Jones or his affiliated entities and other SFPUC prime contractors that were effective on the date that Mr. Jones was charged, and directed each of the four prime contractors retaining Mr. Jones and/or any entities affiliated with Mr. Jones, to terminate or cancel any subcontract, service order, or other contractual arrangement such parties.

The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation. The San Francisco District Attorney's Office Public Integrity Task Force has also independently investigated certain of the matters described here, and the City can give no assurance when this task force will complete its investigation.

Recology Settlement. On March 4, 2021, the City Attorney announced an approximately \$100 million settlement with Recology San Francisco ("Recology"), the contractor handling the City's waste and recycling collection. The settlement arose from overcharges that were uncovered as part of the continuing public integrity investigation tied to Mr. Nuru and others. As part of the Settlement, Recology was required to lower commercial and residential rates starting April 1, 2021 and make a \$7 million settlement payment to the City under the California Unfair Competition Law and the San Francisco Campaign and Governmental Conduct Code. In addition, Recology will be enjoined for four years from making any gift to any City employee or any contribution to a nonprofit at the behest of a City employee. The comprehensive settlement agreement with Recology was approved by the Board of Supervisors. The bribery and corruption public integrity investigation related to the Nuru matter is ongoing.

On May 16, 2022 the Controller's Office released a public integrity assessment report on the review of rate-setting and rate reporting processes, and profits earned by Recology that were over and above allowed profit margins. The report found that Recology netted profits of \$23.4 million over and above the allowed profit margin set in the 2017 Rate Application. Even after taking into account the 2021, \$101 million settlement in restitution, penalties, and interest to ratepayers affected by the erroneous calculation of revenues in the rate application, Recology consistently exceeded their allowable operating profits.

On June 7, 2022, the voters of San Francisco passed Proposition F, a ballot measure that allows the City to oversee Recology more closely, including certain changes to the composition of the Refuse Rate Board. The changes are intended to provide more oversight with respect to monitoring rates to residential and commercial customers.

In addition to the ongoing joint investigation by the City Attorney's Office and the Controller's Office into City contracting policies and procedures, the City's Board of Supervisors has conducted a series of public hearings before its Government Audit and Oversight Committee to examine issues raised by the federal complaints. That committee also considered the Controller's periodic reports. The City can give no assurance regarding when the City's investigation will be completed or what the outcome will be. The criminal investigation by the Federal Bureau of Investigation and the United States Attorney's office is ongoing.

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 ACFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City is self-insured for the financial risk and liability to provide workers' compensation benefits to its employees. The administration of workers' compensation claims and disbursement of all benefit payments is managed by the Workers' Compensation Division of the City's Department of Human Resources and its contracted third-party claims administrator. Estimates of future workers' compensation costs are based on the following criteria: (i) the frequency and severity of historical claim filings; (ii) average claim losses by expense category; (iii) gross payroll and workforce composition; (iv) benefit cost inflation, including increases to the statewide average weekly wage, and medical cost growth; and (v)

regulatory developments that impact benefit cost and delivery. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual claim benefit expenditures and an allocated share of overhead expenses for self-insurance administration. The City continues to develop and implement programs to lower or mitigate workers' compensation costs.

Initiative Measure Qualified for November 2024 Ballot – Taxpayer Protection and Government Accountability Act

On February 1, 2023, the California Secretary of State announced that a ballot initiative known as the "Taxpayer Protection and Government Accountability Act" ("Initiative 1935"), received the required number of signatures to appear on the November 5, 2024 ballot. If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIII A, XIII C and XIII D of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things, Initiative 1935 would amend the definition "tax" in Article XIII C to include "every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge." Initiative 1935 defines "exempt charge" to mean a "reasonable charge 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 actual costs as opposed to the reasonable costs of providing the service or product to the payor." "Exempt charges" also encompass existing exceptions from the definition of "tax" added to Article XIII C by Proposition 26, including property-related fees imposed in accordance with Article XIII D (see "—Articles XIII C and XIII D of the California Constitution – Proposition 218," above). "Actual costs" is defined as "the minimum amount necessary to reimburse the government for the cost of providing the service or product less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 further provides that the local government adopting an exempt charge would bear the burden of proving by clear and convincing evidence (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor. Initiative 1935 would also amend Article XIII C to provide that no local law, whether proposed by the governing body or by an elector, may impose any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote. The full definitions of the terms referenced above, along with the full text of Initiative 1935, may be viewed at the website of the California Attorney General.

Initiative 1935 is retroactive, and provides that any tax or exempt charge adopted after January 1, 2022 but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof, would be void 12 months after the effective date of Initiative 1935, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935. The City cannot predict whether Initiative 1935 will be approved at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the City cannot provide any assurances that it will not have a material adverse effect on the City's ability to adopt or increase rates, fees, and charges for the various services provided by the City.



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: Board of Supervisors of the City and County of San Francisco

FROM: Controller's Office of Public Finance

DATE: Tuesday, February 6, 2024

SUBJECT: Resolution Authorizing Issuance of Refunding General Obligation Bonds,
Series 2024-R1

Supplemental Appropriation Ordinance for Refunding General Obligation Bonds

Recommended Actions

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolution (the "2024 Refunding Resolution") which (1) approves the issuance and sale of not to exceed \$644,675,000 aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2024-R1 (the "2024 Refunding Bonds" or the "Bonds") to refund certain outstanding general obligation bonds of the City; (2) approves the form and authorizing the execution and delivery of an Escrow Agreement relating to certain Prior Bonds (defined below); (3) approves the form and authorizes the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement relating to the sale of said bonds; (4) ratifies certain actions previously taken; and (5) grants general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of said bonds, as defined herein. We also respectfully request the Board pass the Supplemental Appropriation Ordinance ("Ordinance") appropriating the proceeds of the 2024 Refunding Bonds in the amount of \$644,675,000.

Background

Since 1992, a two-thirds majority of voters of the City and County of San Francisco (the "City") have approved 28 propositions authorizing the issuance of general obligation bonds ("GO Bonds") totaling \$6.98 billion for various projects. Of this amount, \$5.72 billion of bonds have been issued and \$2.59 billion remains outstanding. \$1.26 billion in bonds have been authorized but are yet to be issued. When the City issues GO Bonds, there are provisions included which give the City the option to refinance the bonds after a certain period of time, should interest rates be more favorable and produce savings to the City.

See Attachment 1 for a full list of GO Bond authorizations and series outstanding as of January 1, 2024.

Prior Board of Supervisors Actions

In March 2020, the Board adopted Resolution No. 097-20 (the “2020 Master Refunding Resolution”) which authorized the issuance of multiple series of general obligation refunding bonds in an aggregate principal amount of \$1,482,995,000 for the purpose of refunding the City’s outstanding GO Bonds. The 2020 Master Refunding Resolution also approved the sale of the first of four now-issued series of such refunding bonds in an amount not to exceed \$255,000,000, designated Series 2020-R1. Other series of GO refunding bonds subsequently approved by the Board and issued pursuant to the 2020 Master Refunding Resolution include two series in an amount not to exceed \$220,000,000, designated Series 2021-R1 and 2021-R2, and a fourth series in an amount not to exceed \$385,000,000, designated Series 2022-R1.

Prior City Actions

In 2020, the City issued \$195,250,000 of General Obligation Refunding Bonds, Series 2020-R1 to refinance outstanding general obligation bonds, resulting in gross debt service savings of \$38.2 million over 15 years and net present value debt service savings of \$31.2 million or 13.4% of refunded par. In 2021, the City issued Series 2021-R1 and 2021-R2, totaling \$178,135,000 of General Obligation Refunding Bonds. The two 2021 refunding series produced gross debt service savings of \$35.6 million over 12 years and net present value debt service savings of \$32.8 million or 15.9% of the refunded par. In 2022, the City issued General Obligation Refunding Bonds, Series 2022-R1 in the amount of \$327,300,000 to refinance outstanding general obligation bonds, resulting in gross debt service savings of \$30.6 million over 12 years and net present value debt service savings of \$25.8 million or 7% of the refunded par amount of the refunded par.

Current Plan of Finance

The 2020 Master Refunding Resolution authorized and directed the Director of the Office of Public Finance (“OPF”) to determine which series of outstanding Prior Bonds would be refinanced with the proceeds of refunding bonds and to provide for the sale of any series of refunding bonds using the approved form of such documents, subject to certain terms and conditions including the following:

- (i) each series of refunding bonds must achieve aggregate net present value savings of at least 3% of outstanding principal of the total Prior Bonds to be refunded by such series;
- (ii) the true interest cost of the refunding bonds must not exceed 12%;
- (iii) the refunding bonds must not have a final maturity date later than the maturity date of the bonds to be refunded; and
- (iv) the costs of issuance must not exceed 2% and underwriter’s discount must not exceed 1% of the principal amount of the refunding bonds

The 2024 Refunding Resolution approves the sale of the 2024 Refunding Bonds, designated Series 2024-R1, in an amount not to exceed \$644,675,000, to refund all or a portion of the bonds listed in Table 1 below (“Prior Bonds”).

Table 1: 2024 General Obligation Refunding Candidates

General Obligation Bond Refunding Candidates	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
2023 GO Refunding Candidates (Callable on June 15, 2023)				
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$33,740,000	\$33,740,000	2035
Refunding Series 2015-R1	\$293,910,000	\$164,190,000	\$164,190,000	2035
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$5,735,000	\$5,735,000	2035
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$18,620,000	\$18,620,000	2035
Series 2016C (Earthquake Safety and Emergency Response, 2010)	\$25,215,000	\$17,190,000	\$17,190,000	2035
Series 2016D (Earthquake Safety and Emergency Response, 2014)	\$109,595,000	\$58,000,000	\$58,000,000	2035
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$30,095,000	\$30,095,000	2035
Subtotal 2023 GO Refunding Candidates	\$591,785,000	\$327,570,000	\$327,570,000	
2024 GO Refunding Candidates (Callable on June 15, 2024)				
Series 2017A (Public Health and Safety, 2016)	\$173,120,000	\$96,445,000	\$90,670,000	2036
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$37,480,000	\$35,400,000	2037
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$85,235,000	\$80,505,000	2037
Series 2018C (Earthquake Safety and Emergency Response, 2014)	\$189,735,000	\$116,640,000	\$110,735,000	2038
Series 2018E (Public Health and Safety, 2016)	\$49,955,000	\$31,030,000	\$29,475,000	2038
Subtotal 2024 GO Refunding Candidates	\$663,965,000	\$366,830,000	\$346,785,000	
Total GO Refunding Candidates Callable 2023 - 2024	\$1,255,750,000	\$694,400,000	\$674,355,000	

To position the City to access the market as expeditiously as possible when an opportunity to achieve savings exists, the proposed Resolution authorizes the execution and delivery of GO Bonds in one or more series, in an aggregate par amount not to exceed \$644,675,000 to refund the outstanding bonds in the tables above. Interest rates and capital markets continue to be volatile as of the date of this memo, and the Controller's Office of Public Finance will continue to monitor market conditions up through the anticipated pricing and closing of the transaction in April and May of 2024. In accordance with the City's approved Debt Policy, the 2024 Refunding Bonds will only be issued if the transaction produces minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC") as the discount rate. As interest rates change, one or more of the outstanding series to be refunded may be dropped from the transaction to achieve a higher level of savings.

For good faith estimates required by Code Section 5852.1 of the California Government Code regarding the proposed financing, see Attachment 2. The information set forth in Attachment 2 is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

The requested not-to-exceed par amount of approximately \$644.7 million for the 2024 Refunding Bonds reflects the current estimated refunding bond proceeds required to refund the callable bonds. Conditions that could change the anticipated bond par amount include fluctuations in market interest rates between the date of authorization by the Board and the sale of the 2024 Refunding Bonds, changes in the refunding escrow, or changes in the estimated delivery date expenses.

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 2023-24 is approximately \$10.32 billion, based on a net assessed valuation of approximately \$343.9 billion. As of January 1, 2024, the City had approximately \$2.59 billion in aggregate principal amount of general obligation bonds outstanding, which equals approximately 0.75% of the net assessed valuation for fiscal year 2023-24. If all of the City's voter-authorized and unissued general obligation bonds were issued (an additional \$1.26 billion), the total debt burden would be 1.12% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the 2024 Refunding Bonds, after their issuance, the debt ratio is estimated to change only slightly as the bonds will be used to refund currently outstanding principal.

Additional Information

The Ordinance was introduced on January 30, 2024, and the 2024 Refunding Resolution is expected to be introduced on February 6, 2024 along with the form of the Preliminary Official Statement and Appendix A. Draft forms of other financing documents described below will also be submitted for informational purposes.

Method of Sale & Bond Purchase Agreement: A negotiated sale is planned in connection with this transaction in order to maximize flexibility on the timing and structure of the sale to enhance refunding savings and bonding capacity while maintaining tax rates within the City's Capital Plan constraint. OPF will issue a Request for Proposals ("RFP") to firms within the City's Underwriter Pool, which was established via a competitive process. An underwriting syndicate has not been selected at this time, but will be determined in consultation with the City's Municipal Advisors based on the evaluation of the proposals received pursuant to the RFP, to be identified in the final adopted text of the sale resolution. The Bond Purchase Agreement 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 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 investors 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.

The Board of Supervisors and the Mayor, in adopting and approving the 2024 Refunding Resolution, approve and authorize the use and distribution of the Official Statement by the underwriters with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller or Director of Public Finance will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

Escrow Agreement: The Escrow Agreement allows for the creation of escrow funds to pay the principal and interest due on the Prior Bonds. The escrow agent will hold any escrow obligations pursuant to the Escrow Agreement in an irrevocable trust fund account for the City for the benefit of the owners of the Prior Bonds.

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

The Official Notice of Sale for the Bonds announces the date and time of a competitive sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolution, the Controller 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.

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, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

Pursuant to the 2024 Refunding Resolution, the Board hereby designates the Controller or Director of Public Finance to finalize and revise the Official Statement, including the Appendix A, to, among other things, include the most recent City financial information or other material information relevant to investors, and to otherwise make corrections and clarifications needed so that such offering document complies with federal securities laws.

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of Supplemental Appropriation Ordinance to the Board of Supervisors (Board)	January 30, 2024
• Introduction of 2024 Refunding Resolution to the Board	February 6, 2024
• Budget & Finance Committee Hearing	March 6, 2024
• Board Considers Approval of 2024 Refunding Resolution	March 12, 2024
• Board Considers Approval of Appropriation Ordinance (1 st Reading)	March 19, 2024
• Final Board Approval of Appropriation Ordinance (2 nd Reading)	March 19, 2024
• Sale of the 2024 Refunding Bonds	Estimated April 2024
• Closing of the 2024 Refunding Bonds	May 2024

*Please note that dates are estimated unless otherwise noted

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org), Vishal Trivedi (vishal.trivedi@sfgov.org), or Grant Carson (grant.carson@sfgov.org) if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Tom Paulino, Mayor's Office
Anna Duning, Mayor's Budget Director
Ben Rosenfield, Controller
Carmen Chu, City Administrator
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

Attachment 1

GO BONDS OUTSTANDING AS OF JANUARY 1, 2024

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	-	
			2007A	\$30,315,450	\$12,172,632	
			2015A	\$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	\$72,420,000	\$68,700,000	
			2020C	\$102,580,000	\$93,580,000	\$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	\$24,190,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$5,735,000	-
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	\$117,950,000	
			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	\$17,190,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	-	
			2016E	\$44,145,000	\$30,095,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	-	
			2016B	\$43,220,000	\$18,620,000	
			2018A	\$76,710,000	\$37,480,000	
			2019B	\$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	-	
			2016D	\$109,595,000	\$58,000,000	
			2018C	\$189,735,000	\$116,640,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$33,740,000	
			2018B	\$174,445,000	\$85,235,000	
			2020B	\$135,765,000	\$100,450,000	
			2021C-1	\$104,785,000	\$83,230,000	
			2021C-2	\$18,000,000	-	-
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$38,780,000	
			2018D	\$142,145,000	\$85,790,000	
			2019C	\$92,725,000	\$21,845,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$96,445,000	
			2018E	\$49,955,000	\$31,030,000	
			2020D-1	\$111,925,000	\$77,650,000	
			2020D-2	\$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	-	
			2023B	\$39,020,000	-	\$336,305,000
Affordable Housing Bond	11/5/19	\$600,000,000	2021A	\$254,585,000	\$168,425,000	
			2023C	\$170,780,000	\$107,025,000	\$174,635,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000	2021B-1	\$69,215,000	\$64,335,000	
			2021B-2	\$11,500,000	-	
			2021E-1	\$74,090,000	\$59,520,000	
			2021E-2	\$13,000,000	-	\$460,695,000
Health and Recovery Bond	11/4/20	\$487,500,000	2021D-1	\$194,255,000	\$164,395,000	
			2021D-2	\$64,250,000	-	
			2023A	\$28,785,000	\$28,785,000	\$200,210,000
SUBTOTAL		\$5,978,700,000		\$4,721,170,450	\$1,847,032,632	\$1,257,529,550
General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2015-R1	2/25/15			\$293,910,000	\$164,190,000	
Series 2020-R1	5/7/20			\$195,250,000	\$154,940,000	
Series 2021-R1	5/6/21			\$91,230,000	\$75,990,000	
Series 2021-R2	9/16/21			\$86,905,000	\$43,585,000	
Series 2022-R1	5/18/22			\$327,300,000	\$302,060,000	
SUBTOTAL				\$994,595,000	\$740,765,000	
TOTALS		\$5,978,700,000		\$5,715,765,450	\$2,587,797,632	\$1,257,529,550

Attachment 2

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following estimated information has been provided by the City’s Municipal Advisor, Del Rio Advisors, LLC, assuming an estimated par of \$584,450,000:

	2024 Refunding Bonds
1. True interest cost:	<u>3.21%</u>
2. Finance charges, including all fees and charges for third parties (including underwriter’s compensation, financial advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties):	<u>\$3,461,125</u>
3. Amount of bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve or capitalized interest funded with bond proceeds:	<u>\$643,374,949</u>
4. Total payment amount for the bonds, being the sum of (a) debt service on the bonds to final maturity, and (b) any financing costs not paid from bond proceeds:	<u>\$780,152,931</u>

The information set forth above is based upon estimates of prevailing market conditions as of November 17, 2023, and the ability to refinance the Prior Bonds on a tax-exempt basis. Actual results may differ if assumed market conditions change.

From: [Trejo, Sara \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [Trivedi, Vishal \(CON\)](#); [Rosenfield, Ben \(CON\)](#); [Van Degna, Anna \(CON\)](#); [BLAKE, MARK \(CAT\)](#); [ROUX, KENNETH \(CAT\)](#); [Carson, Grant \(CON\)](#); [Scott, Beau \(CON\)](#); [Katz, Bridget \(CON\)](#); [Duning, Anna \(MYR\)](#); [Zhu, Fisher \(MYR\)](#)
Subject: Mayor -- Resolution -- GO Refunding Issuance and Sale
Date: Tuesday, February 6, 2024 2:41:24 PM
Attachments: [OPF BOS Memo - 2024 GO Refunding Bonds vF 02022024.pdf](#)
[2024 Refunding Resolution vF - 01733446.docx](#)
[2024 Refunding Resolution vF - 01733446.pdf](#)
[Form of Escrow Agreement - Series 2024-R1 GORBs 02022024.pdf](#)
[Form of Notice of Intention to Sell \(CCSF 2024R1 GO Refunding\) 02022024.pdf](#)
[Form of Official Notice of Sale \(CCSF 2024R1 GO Refunding\) 02022024.pdf](#)
[Form of Preliminary Official Statement - CCSF Refunding GO 2024-R1 Bonds.pdf](#)
[Form of Purchase Contract \(CCSF 2024R1 GO Refunding\) 02022024.pdf](#)
[Form of Appendix A.pdf](#)

Hello Clerks,

Attached is a Resolution approving the issuance and sale of not to exceed \$644,675,000 aggregate principal amount of City and County of San Francisco General Obligation Refunding Bonds, Series 2024-R1, to refund certain outstanding General Obligation Bonds of the City and County of San Francisco; approving the form and authorizing the distribution of the Preliminary Official Statement and authorizing the execution, delivery and distribution of the Official Statement relating to the sale of the Series 2024-R1 Bonds; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of the Series 2024-R1 Bonds.

Best regards,

Sara Trejo

Legislative Aide

Office of the Mayor

City and County of San Francisco

415.554.6141 | sara.trejo@sfgov.org