File No. 240723 **Committee Item No.** 1
Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee **Date** July 31, 2024
Board of Supervisors Meeting **Date** September 10, 2024

Cmte Board

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Completed by: Brent Jalipa **Date** July 25, 2024
Completed by: Brent Jalipa **Date** August 19, 2024

[Authorizing Certificates of Participation - Concourse Garage Project - Not to Exceed $29,000,000]

Ordinance authorizing the execution and delivery of Certificates of Participation on a tax-exempt or taxable basis evidencing and representing an aggregate principal amount of not to exceed $29,000,000 to fund all or a portion of the acquisition of the Concourse Garage; authorizing the issuance of commercial paper notes in advance of the delivery of the Certificates; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Lease Agreement, each between the City and County of San Francisco and the Trustee for the lease and lease back of certain property and facilities of the City; approving the forms of Purchase Contract, Official Notice of Sale, and Notice of Intention to Sell Certificates; directing the publication of the Notice of Intention to Sell Certificates; approving the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the Certificates; approving the form of the Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the Certificates, including termination of the Ground Lease and transfer of the Concourse Garage property and related property to the City and County of San Francisco under the jurisdiction of the Recreation and Park Commission; approving modifications to documents and agreements; declaring the City's intent to reimburse certain expenditures; and ratifying previous actions taken in connection therewith, as defined herein.

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

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

Section 1. The City and County of San Francisco ("City"), acting by and through the Golden Gate Park Concourse Authority ("Authority") and the Recreation and Park Commission ("Commission"), leased certain City property under a Ground Lease, dated as of February 27, 2004 (as amended, the "Ground Lease"), to the Music Concourse Community Partnership ("MCCP").

(a) The property leased under the Ground Lease has been developed into the underground parking facility ("Concourse Garage") contemplated by the Golden Gate Park Revitalization Act of 1998 (adopted as Proposition J on June 2, 1998, at an election of the voters of the City) ("Proposition J"); and

(b) Proposition J was amended by an ordinance known as Proposition N ("Proposition N") approved by the City's voters at an election held on November 8, 2022, to permit the City to acquire the Concourse Garage and place the Concourse Garage under the jurisdiction of the Commission.

(c) The Board of Supervisors ("Board") of the City desires to fund all or a portion of the costs to acquire the Concourse Garage and related property ("Project") through the execution and delivery of one or more series of certificates of participation ("Certificates").

(d) The Certificates will be executed and delivered in one or more series on a tax-exempt and/or taxable basis pursuant to a trust agreement ("Trust Agreement") between the City and the trustee to be named therein ("Trustee").

(e) In advance of the execution and delivery of the Certificates, the Board desires to authorize the issuance of commercial paper notes under the City's Commercial Paper Program (established by the Board through the adoption of resolutions 85-09 and 136-10, as amended to date) to fund costs of the Project on an interim basis until the Certificates are executed and delivered to provide permanent financing for the acquisition costs of the Concourse Garage and related property.

(f) In connection with the execution and delivery of the Certificates, the Board desires to cause the execution of a Property Lease ("Property Lease"), pursuant to which the City will lease to the Trustee the Concourse Garage property, and/or other property designated by the Director of Public Finance ("Leased Property"), and a Lease Agreement ("Lease Agreement"), pursuant to which the Trustee will lease the Leased Property back to the City.

(g) The Board has been presented with the form of certain documents and agreements referred to herein relating to the Certificates, and the Board has examined and is approving each such document and agreement and desires to authorize the execution of such documents and agreements and the consummation of such financing.

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

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

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

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

(l) The adoption of this Ordinance shall constitute authorization of the Certificates within the meaning of Section 864 of the California Code of Civil Procedure and any Validation Act that is effective after this Ordinance takes effect.

Section 2. Findings. The Board hereby finds and determines that the recitals set forth above are true and correct.

Section 3. File Documents. The documents presented to the Board and on file with the Clerk of the Board or their designee (collectively, the "Clerk") are contained in File No. 240723.

Section 4. Authorization of the Certificates. The Board hereby authorizes and approves the execution and delivery of the Certificates in accordance with the Trust Agreement. The Board hereby approves the issuance of commercial paper notes from time to time to fund certain costs relating to the Project. The proceeds of the Certificates will be used

to fund (i) costs of the Project, including not more than $500,000 of Certificate proceeds to discharge certain loans owed by MCCP to the California Academy of Sciences and the de Young Museum and the repayment of commercial paper notes and interest thereon issued for such purpose; (ii) a debt service or other similar reserve, as appropriate; (iii) capitalized interest, if any; and (iv) costs of the execution and delivery of the Certificates. The Certificates shall be designated as "Certificates of Participation (Concourse Garage Project)," with such other or additional designation, including the year of execution and delivery, as determined by the Director of Public Finance of the City or their designee, acting for and on behalf of the City Controller (collectively, the "Director of Public Finance").

The Certificates shall evidence an aggregate principal amount of not to exceed Twenty-Nine Million Dollars ($29,000,000), and shall evidence interest at a true interest cost up to but not to exceed twelve percent (12%) per annum. The Certificates shall be subject to prepayment as set forth in the Lease Agreement and Trust Agreement. The Director of Public Finance is hereby authorized, to the extent such officer deems it necessary or advisable and financially advantageous to the City, to procure credit enhancement for the Certificates, including but not limited to municipal bond insurance and/or a debt service reserve fund surety policy.

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

Section 5. Approval of the Trust Agreement; Authorization of the Selection of the Trustee. The form of the Trust Agreement between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City

or their designee (collectively, the "Mayor") or the City Controller or their designee ("Controller") and the General Manager of the Recreation and Park Department or their designee (collectively, the "General Manager of the Recreation and Park Department") are hereby authorized to execute and deliver the Trust Agreement, and the Clerk is hereby authorized to attest to the Trust Agreement, with such changes, additions and modifications as made or approved in accordance with Section 14 hereof.

The Director of Public Finance is hereby authorized to select the Trustee in accordance with City policies and procedures.

Section 6. Approval of the Property Lease. The form of the Property Lease between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller and the General Manager of the Recreation and Park Department are hereby authorized to execute and deliver the Property Lease, and the Clerk is hereby authorized to attest to the Property Lease, with such changes, additions and modifications as made or approved in accordance with Section 14 hereof.

Section 7. Approval of the Lease Agreement. The form of the Lease Agreement between the City and the Trustee, as presented to the Board, a copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller and the General Manager of the Recreation and Park Department are hereby authorized to execute and deliver the Lease Agreement, and the Clerk is hereby authorized to attest to the Lease Agreement with such changes, additions and modifications as made or approved in accordance with Section 14 hereof; provided, however, that the maximum Base Rental (as defined in the Lease Agreement) to be paid under the Lease Agreement in any fiscal year shall not exceed Three Million Dollars ~~Dollars~~ ($3,000,000) and the initial stated term of the Lease Agreement shall not extend beyond the 35th year following its date of execution, as such initial term may be extended in accordance with the Lease Agreement.

Section 8. Approval of the Leased Property and the Base Rental Payments. The Board hereby approves the leasing, pursuant to the terms of the Property Lease and the Lease Agreement, of all or a portion of the Leased Property. The Board also hereby approves the payment by the City of the Base Rental with respect thereto.

Section 9. Official Statement. The form of proposed Preliminary Official Statement describing the Certificates ("Preliminary Official Statement") submitted to the Board is approved and adopted as the Preliminary Official Statement describing the Certificates, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance herewith. The Controller is authorized to cause the distribution of a Preliminary Official Statement deemed final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule"), and to sign a certificate to that effect. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed to prospective bidders or purchasers for the Certificates the Preliminary Official Statement in substantially the form of the Preliminary Official Statement approved and adopted by this Ordinance, as completed, supplemented, corrected or revised. The Controller is authorized and directed to approve, execute, and deliver the final Official Statement with respect to the Certificates, which final Official Statement shall be in the form of the Preliminary Official Statement, with such additions, corrections and revisions as may be determined to be necessary or desirable made in accordance herewith and as are permitted under the Rule. The Director of Public Finance is authorized and directed to cause to be printed and mailed or electronically distributed the final Official Statement to all actual initial purchasers of the Certificates.

Section 10. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate ("Continuing Disclosure Certificate"), to be signed by the Controller to permit the

original purchasers of the Certificates to comply with the Rule, submitted to the Board is approved and adopted as the Continuing Disclosure Certificate, with such changes, additions and modifications as made or approved in accordance with Section 14 hereof. The Controller is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the original purchasers of the Certificates.

Section 11. Sale of the Certificates. The Controller or the Director of Public Finance is hereby authorized to cause the sale of the Certificates by competitive or negotiated sale. If sold by competitive sale, the Controller or the Director of Public Finance is hereby authorized and directed to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City (as confirmed by the City's municipal advisor) and whose bid otherwise conforms to the bid requirements contained in the Official Notice of Sale.

The form of proposed Notice of Intention to Sell the Certificates ("Notice of Intention to Sell Certificates") submitted to the Board is approved and adopted as the Notice of Intention to Sell the Certificates, and the Controller or the Director of Public Finance is authorized and directed to cause the Notice of Intention to Sell Certificates, subject to such changes, additions and modifications as made or approved in accordance with Section 14 hereof, to be published once in *The Bond Buyer* or another financial publication generally circulated throughout the State of California.

If the Controller or the Director of Public Finance determines to sell the Certificates by negotiated sale, the Controller or the Director of Public Finance is hereby authorized to sell the Certificates by negotiated sale pursuant to one or more purchase contracts (each, a "Purchase Contract") by and between the City and the underwriters named therein; provided, however, that the underwriters' discount under any such Purchase Contract shall not exceed one and one-half percent (1.5%) of the principal amount of the Certificates.

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

Section 12. Reimbursement. The City declares its official intent to reimburse prior expenditures of the City incurred prior to the execution and delivery of the Certificates in connection with the Project or portions thereof with the proceeds of the Certificates. The Board declares the City's intent to reimburse the City with the proceeds of the Certificates for the expenditures with respect to the Project ("Expenditures" and each an "Expenditure") made on and after that date that is no more than 60 days prior to adoption of this Ordinance. The City reasonably expects on the date of adoption of this Ordinance that it will reimburse the Expenditures with the proceeds of the Certificates.

Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Certificates, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the City so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum aggregate principal amount of the Certificates expected to be executed and delivered for the Project is $29,000,000. The City shall make a reimbursement allocation, which is a written allocation by the City that evidences the City's use of proceeds of the Certificates to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event

more than three years after the date on which the Expenditure is paid. The City recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain *de minimis* amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 13. Appraisal Not Required. The appraisal requirement in Section 23.14 of the Administrative Code shall not apply to any transfer contemplated under this Ordinance.

Section 14. General Authority. The Mayor, the City Treasurer, the City Attorney, the City Controller, the City Administrator, the Director of Public Finance, the Clerk, the General Manager of the Recreation and Park Department, the Director of Transportation and other officers of the City and their duly authorized deputies, designees and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements (including, without limitation, any escrow agreements), requests or other documents as they may deem necessary or desirable to accomplish the purposes of this Ordinance, including but not limited to the execution and delivery of the Property Lease, the Lease Agreement, the Trust Agreement, the Continuing Disclosure Certificate, the Purchase Contract and the Certificates, a quitclaim deed and/or termination agreement to evidence termination of the Ground Lease, an agreement regarding transfer of the Project and Project operations to the City consistent with this Ordinance and the Ground Lease, to obtain bond insurance and/or other credit enhancements and/or a surety policy with respect to the Certificates, to obtain title insurance, to clear any encumbrances to title and to carry out other title work and transfer jurisdiction of the Concourse Garage to the Commission in accordance with Proposition N. Any such actions are solely intended to further the purposes of this Ordinance, and are subject in all respects to the terms of this Ordinance. No such actions shall increase the risk to the City or require the City to spend any resources not otherwise granted herein. Final versions of any such documents shall be provided to the Clerk of the

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

Section 15. Modifications, Changes and Additions. The Mayor, the City Treasurer, the Controller, the Director of Public Finance, and the General Manager of the Recreation and Park Department each are hereby authorized to make such modifications, changes and additions to the documents and agreements approved hereby, upon consultation with the City Attorney, as may be necessary or desirable and in the interests of the City, and which changes do not materially increase the City's obligations or reduce its rights thereunder or hereunder. The respective official's approval of such modifications, changes and additions shall be conclusively evidenced by the execution and delivery thereof by such official.

Section 16. Partial Invalidity. Any provision of this Ordinance found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Ordinance.

Section 17. Ratification of Prior Actions. All actions authorized consistent with any documents presented herein and approved by this Ordinance but heretofore taken are hereby ratified, approved and confirmed by the Board.

Section 18. Effective Date. This Ordinance shall take effect immediately.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

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

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FILE NO. 240723

REVISED LEGISLATIVE DIGEST
(Amended in Committee, 7/31/2024)

[Authorizing Certificates of Participation - Concourse Garage Project - Not to Exceed $29,000,000]

Ordinance authorizing the execution and delivery of Certificates of Participation on a tax-exempt or taxable basis evidencing and representing an aggregate principal amount of not to exceed $29,000,000 to fund all or a portion of the acquisition of the Concourse Garage; authorizing the issuance of commercial paper notes in advance of the delivery of the Certificates; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Lease Agreement, each between the City and County of San Francisco and the Trustee for the lease and lease back of certain property and facilities of the City; approving the forms of Purchase Contract, Official Notice of Sale, and Notice of Intention to Sell Certificates; directing the publication of the Notice of Intention to Sell Certificates; approving the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the Certificates; approving the form of the Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the Certificates, including termination of the Ground Lease and transfer of the Concourse Garage property and related property to the City and County of San Francisco under the jurisdiction of the Recreation and Park Commission; approving modifications to documents and agreements; declaring the City's intent to reimburse certain expenditures; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new law.

Background Information

The proposed Ordinance authorizes the execution and delivery of one or more series of taxable or tax-exempt Certificates of Participation ("COPs") in a total principal amount not-to-exceed $29,000,000 at an interest rate not to exceed 12% per annum. Proceeds of the COPs will be used to finance the cost of the Concourse Garage and not more than $500,000 of Certificate proceeds to discharge certain loans owed by MCCP to the California Academy of Sciences and the de Young Museum and the repayment of commercial paper notes and interest thereon ("Project"), fund a debt service reserve fund or similar reserve for the COPS, fund capitalized interest, if any, and pay the cost of the execution and delivery of the COPs.

The proposed Ordinance also authorize the issuance of the commercial paper to fund acquisition costs of the Project on an interim basis.

Under the proposed Ordinance, the City will structure the COPs using a lease-lease back structure. In connection with the delivery of the COPs, the City will execute a Project Lease and a Lease Agreement. The COPs will be delivered under supplement agreements as permitted by a Trust Agreement, by and between the City and a third-party trustee to be named upon selection by the City's Director of Public Finance.

The COPs will be secured by lease payments made by the City under the Lease Agreement. The Concourse Garage will serve as the leased asset under the Lease Agreement. City Lease Payments will not exceed $3,000,000 each fiscal year.

The proposed Ordinance authorizes the Controller or the Director of Public Finance to sell the COPs by completive sale or negotiated sale. If sold by competitive sale, the COPs will be awarded to the bidder whose bid constitutes the lowest true interest cost to the City. In the alternative, the proposed Ordinance also authorizes a negotiated sale, provided the compensation to the selected underwriter cannot exceed (1.5%) of the principal amount of the COPs.

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

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Item 1 File 24-0723	Department: Recreation and Parks Department (REC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would authorize the sale of up to $29,000,000 of Certificates of Participation (COPs) in one more series on a tax or tax-exempt basis to finance the acquisition of the Music Concourse Garage and approve related documents and actions.

Key Points

- The Music Concourse Garage is an underground parking facility located in Golden Gate Park with 800 parking spaces. In 2004, the Recreation and Parks Department (REC) executed a 35-year ground lease with the Music Concourse Community Partnership (MCCP), a private nonprofit, for construction and operation of the garage. MCCP completed construction in 2005 with $36 million in private donations and $55 million in debt. Under the terms of the lease, ownership of the garage will transfer to REC when the debt is fully repaid.
- REC seeks to take ownership of the garage by using COPs to repay MCCP's construction debt to: (a) improve access to the park for low-income families and people with disabilities; (b) better coordinate management of the garage with park operations and events; and (c) standardize operations and policies with other REC-owned garages managed by the San Francisco Municipal Transportation Authority (SFMTA).
- Proceeds from the proposed COPs would be used to fund issuance costs, reserves, and a payment to MCCP equal to the outstanding balance of the construction loan with First Republic Bank ($21.47 million) plus accrued interest and $500,000 to repay a portion of loans to the DeYoung Museum and the California Academy of Sciences.

Fiscal Impact

- Estimated average annual debt service on the projected $24.36 million COPs issuance amount is approximately $1.74 million. Total debt service over the 25-year term is approximately $42.41 million, including $18.05 million in interest and a true interest cost of 4.67 percent. Debt service payments are expected to be paid by parking garage revenues.
- Revenues to the City would increase from $100,000 in base rent under the existing lease to an estimated $1.46 million in net revenue from garage operations, which may be needed to address capital needs.

Policy Consideration

- The proposed ordinance will effectively transfer ownership of the garage to the City using an appraisal from 2022, which estimated the value of the garage to be $36.15 million.

Recommendation

- Amend the proposed ordinance to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of MCCP's loans from the DeYoung Museum and the California Academy of Sciences and approve the proposed ordinance, as amended.

MANDATE STATEMENT

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

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Music Concourse Garage in Golden Gate Park

The Music Concourse Garage is an underground parking facility located in Golden Gate Park with 800 parking spaces. The facility serves visitors to the park and institutions located in the park, such as the De Young Museum and the California Academy of Sciences. Pursuant to Proposition J, approved by voters in June 1998, the City designated land in Golden Gate Park for construction of the garage and placed the land under the jurisdiction of a city-controlled non-profit organization, the Golden Gate Park Concourse Authority. Proposition J also required that the garage be built without public funds.

In 2004, the Recreation and Parks Department (REC) and the Golden Gate Park Concourse Authority executed a 35-year ground lease with the Music Concourse Community Partnership (MCCP), a private nonprofit, for construction and operation of the garage. MCCP completed construction in 2005 with $36 million in private donations and $55 million in debt, for a total of $91 million. MCCP uses garage revenues to pay operating costs, including debt service, and base rent of $100,000 per year to the City. Under the terms of the lease, ownership of the garage will transfer to REC when the construction debt is fully repaid. MCCP contracts with Imperial Parking, LLC to operate the facility. Finally, the lease limits the City's authority to manage parking rates in the garage, as they must be set to meet debt service and debt agreement covenants.

Proposed Transfer to the City

Proposition N, approved by voters in 2022, directed that the Golden Gate Park Concourse Authority should dissolve and allowed the City to use public funds to acquire and operate the garage. REC seeks to take ownership of the garage prior to MCCP repayment of the construction debt to: (a) improve access to the park for low-income families and people with disabilities; (b)

better coordinate management of the garage with park operations and events; and (c) standardize operations and policies with other REC-owned garages managed by the San Francisco Municipal Transportation Authority (SFMTA). The transfer is an element of the Golden Gate Access and Safety Program, a joint REC and SFMTA project to improve equity, safety, and accessibility after JFK Drive was closed to car traffic (a decision ratified by voter approval of Proposition J in November 2022). The transfer would give the City greater flexibility to make rate changes to improve access, to change the operating hours for special events, and to make other changes in alignment with the Golden Gate Access and Safety Program priorities.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would:

- authorize sale of up to $29,000,000 of Certificates of Participation in one more series on a tax or tax-exempt basis to finance the acquisition of the Concourse Garage
- authorize the issuance of commercial paper as interim financing before the COPs are issued
- authorize the Director of Public Finance to select the Trustee and approve the form of the Trust Agreement between the City and U.S. Bank Trust Company, National Association, as Trustee
- approve the forms of the Property Lease and Lease Agreement between the City and U.S. Bank Trust Company National Association
- approve the forms of the preliminary and final Official Statement
- approve the form of the Official Notice of Sale and Notice of Intention to Sell the COPs
- approve the form of the Continuing Disclosure Certificate
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to take other necessary actions in connection with the transaction, including transfer of the property to the City and termination of the ground lease and modifications of the aforementioned documents in furtherance of the COPs sale.

Use of Proposed COPs

The proposed COPs would be used to pay down MCCP's debt and therefore terminate the lease with MCCP. Proceeds from the proposed COPs would be used to fund issuance costs, reserves, and a payment to MCCP equal to the outstanding balance of the construction loan with First Republic Bank ($21.47 million) plus accrued interest and $500,000 to repay a portion of loans to

the DeYoung Museum and the California Academy of Sciences.[1] MCCP would pay the De Young Museum and the California Academy of Sciences $825,000 each (for a total of $1.65 million) to repay loans and interest using the payment with the City as well as MCCP funds. We recommend that the proposed ordinance be amended to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of loans to the museums.

The Sources and uses of the proposed COPs are shown in Exhibit 1 below.

Exhibit 1: Estimated Sources and Uses of Concourse Garage COPs Proceeds

Sources	
Not to Exceed Par Amount	$29,000,000
Prior Bond Reserve Fund	1,100,000
Total Sources	**$30,100,000**
Uses	
Project Funds	25,550,000
First Republic Debt Payoff	*21,600,000*
Museum Loan Payoff	*500,000*
Capitalized Interest	*1,000,000*
Debt Service Reserve Fund	*2,450,000*
Delivery Date Expenses	1,290,000
Cost of Issuance	*1,050,000*
Underwriter's Discount	*240,000*
Subtotal, Projected Uses	26,840,000
Reserve for Market Uncertainty	3,260,000
Total Uses	**$30,100,000**

Source: Office of Public Finance

Garage Transfer and Operations

Following approval of the proposed ordinance, REC would execute an Acquisition and Transition Agreement with MCCP. The San Francisco Municipal Transportation Authority (SFMTA) would manage the garage on behalf of REC once it is acquired. Similar to other REC parking facilities managed by SFMTA, REC would receive net revenues from the garage operations and would reimburse SFMTA for administrative costs to oversee garage operations. However, SFMTA would waive reimbursement of administrative costs for the first two years of operations. SFMTA would apply the same policies to the Concourse Garage as other city-owned garages, including the demand-responsive pricing policy. SFMTA will seek approval from the Board of Supervisors to

[1] In 2007, MCCP borrowed $1,350,000 in private loans arranged directly with the Fine Arts Museum Foundation and the California Academy of Sciences to make construction payments to the contractor. This loan was necessary due to the parking garage's limited cash flow because of embezzlement by MCCP's former Chief Financial Officer. The loans carried an 8% interest rate, which was later reduced to 6%. The City negotiated with MCCP a final loan pay off of $1,650,000, which has an implied interest rate of 1.35%, assuming a repayment date of December 1, 2024. The remaining approximately $1.3 million of MCCP cash will be used to wind down the organization.

add the Music Concourse Garage to an existing contract with IMCO Parking, LLC, which operates all city-owned parking facilities. IMCO Parking is affiliated with Imperial Parking, the current operator, and no disruptions to garage operations are anticipated due to the transfer.

Facility Conditions

In 2023, Department of Public Works (DPW) staff completed a general condition assessment based on a visual inspection of the facility, a review of Department of Building Inspection records, and interviews with individuals about the facility. Based on the assessment, DPW determined that the building was generally in good condition and in "fair" structural condition. DPW's site assessment identified one required improvement (defined as an improvement needed to address life-safety concerns or failed systems or equipment) to add van accessible and standard accessible electric vehicle charging stalls. DPW made several recommendations, such as to correct striping and signage at accessible stalls and to address water intrusion. DPW did not estimate the costs of these recommendations.

The current lease requires the tenant to pay for regular maintenance using parking revenues and apply any insurance proceeds to restore damage from major events but allows MCCP to terminate the lease without repairing the garage if major damage is not covered by insurance. Due to these lease provisions, as a practical matter, the City assuming ownership of the garage will not increase the City's liability for major rehabilitation work at the garage.

Certificates of Participation Series 2024A

The COPs could be structured for a term of up to 35 years depending on market conditions at an interest rate not to exceed 12 percent. According to the proposed ordinance, maximum annual debt service (or maximum annual base rent) is $3 million. The Office of Public Finance assumes the COPs will be tax-exempt based on projected uses of the proceeds and estimates that the COPs would be paid over 25 years with annual principal and interest payments of approximately $1.74 million and an estimated true interest cost of 4.67 percent. The COPs were sized such that annual debt service would be at or below the current annual debt service ($2.1 million).

Property Lease, Lease Agreement, and Trust Agreement

COPs are structured as a lease-lease back, in which the City-owned Concourse Garage serves as the leased properties to secure the City's outstanding COPs. The City leases the City-owned property to the Trustee (under the Property Lease) and leases back the property (under the Lease Agreement). The City makes annual base rental payments to the Trustee in an amount required to repay the COPs. When the COPs are fully paid, the Property Lease is terminated. Annual base rental payments (in effect, debt service) are expected to be offset by garage parking revenues.

Under the Trust Agreement, the Trustee disburses payments for the COPs and enforces remedies in the event the City defaults on payments.

Commercial Paper

Under separate legislative approval, the City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay

related commercial debt obligations. According to the Office of Public Finance, of the $250 million in commercial paper authority, $55.1 million is currently unencumbered as of June 25, 2024.

Method of Sale

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive or negotiated, based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City's Underwriting Pool, which was selected via a competitive process. The proposed ordinance limits the underwriters' discount to no more than 1.5 percent of the principal amount of the COPs.

City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues. However, according to the Office of Public Finance June 2024 memo to the Board of Supervisors on the proposed COPs issuance, the proposed COPs will not count towards the City's debt service limit because the debt service payments are expected to be offset by Concourse Garage operating revenues.

FISCAL IMPACT

Debt Service

According to the Office of Public Finance memo, estimated average annual debt service on the projected $24.36 million COPs issuance amount is approximately $1.74 million. Total debt service over the anticipated 25-year term is approximately $42.41 million, which includes approximately $24.36 million in principal and $18.05 million in interest and true interest cost of 4.67 percent. Debt service payments are expected to be offset by parking garage revenues. The Controller's Office of Public Finance will seek approval by the Board of Supervisors of a supplemental appropriation ordinance to appropriate the COP proceeds, garage revenues, and debt service expenditures.

Estimated Garage Net Revenues

REC anticipates that net revenues from garage operations will be sufficient to pay debt service for the proposed COPs. According to a five-year financial model prepared by the SFMTA, net revenues (revenues after payment of expenses, including SFMTA cost recovery) are projected to be at least $3.2 million per year over five-year period, which is greater than estimated annual debt service of $1.74 million. Remaining revenues following debt service payment could be used to fund a reserve for maintenance or capital needs. The model assumes parking revenues and expenses are consistent with FY 2023-24 levels. This reflects an increase of more than $1 million in revenues to the City from $100,000 in base rent under the existing lease to an estimated $1.46 million in net revenue from garage operations.

POLICY CONSIDERATION

Summary

The proposed Certificates of Participation would help pay down the Music Concourse Garage Partnership's construction debt, accelerating the transfer of the garage to City ownership from 2038 to 2024. Debt service would be paid from garage revenues. The benefits of City ownership include (a) an increase in revenues of more than $1 million from $100,000 in base rent in the current lease[2] to $1.46 million in net revenues from garage operations; and (b) ability to control operations of the garage (including ability to control rates, hours, and disability parking spaces) to align with park events/operations and REC policies and priorities. However, there are no assumed cost savings in garage operations per the MTA model. Given that balance of benefits for the City, we recommend approval of the proposed ordinance.

Garage Appraisal

The proposed ordinance will effectively transfer ownership of the garage to the City using an appraisal from 2022. The facility was appraised in October 2022 in advance of the proposed financing. The value of the facility based on a fee simple valuation (which assumes the leased fee and leasehold were merged) was appraised at $36.15 million in October 2022. Although Administrative Code Chapter 23 requires an appraisal no earlier than nine months prior to a proposed acquisition, an updated appraisal will not be required under the proposed ordinance because the property is being transferred under the terms of the existing lease (through repayment of the outstanding debt) rather than through a new purchase agreement. The Office of Public Finance finds the 2022 appraisal to be sufficient for debt issuance and Real Estate Division staff do not believe the value has changed significantly since October 2022.

RECOMMENDATION

1. Amend the proposed ordinance to state that it is the City's intention to use up to $500,000 in COPs proceeds to repay a portion of MCCP's loans from the DeYoung Museum and the California Academy of Sciences.
2. Approve the proposed ordinance as amended.

[2] The current lease provides for revenue sharing with the City if there are net revenues after all operating needs and bond covenants are met, however MCCP has never generated excess revenue for the City.

City & County of San Francisco
London N. Breed, Mayor

Capital Planning Committee
Carmen Chu, City Administrator, Chair

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MEMORANDUM

July 22, 2024

Katharine E. Petrucione
Acting City Administrator

To: Members of the Board of Supervisors

From: Carmen Chu, City Administrator & Capital Planning Committee Chair

Copy: Angela Calvillo, Clerk of the Board
Capital Planning Committee

Regarding: (1) Certificates of Participation for Critical Repairs and Street Resurfacing (2) Certificates of Participation for Music Concourse Garage (3) Capital Plan Amendment to include Healthy, Safe, and Vibrant San Francisco General Obligation Bond

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In accordance with Section 3.21 of the Administrative Code, on July 22, 2024, the Capital Planning Committee (CPC) approved the following action items to be considered by the Board of Supervisors. The CPC's recommendations are set forth below.

1. Board File Number: TBD — **Approval of the ordinance authorizing the issuance of Certificates of Participation (COPs) for FY25 Critical Repairs & Street Resurfacing Projects in an amount not to exceed $61,395,000**

CPC Recommendation: The CPC recommends approval of this ordinance.

Comments: The CPC approves this item by a vote of 10-0.

Committee members or representatives in favor:

Brian Strong, Office of the City Administrator; Sunny Angulo, Board President's Office; Sophia Kittler, Mayor's Budget Office; Greg Wagner, Controller; Bruce Robertson, Public Works; Jonathan Rewers, SFMTA; Stephen Robinson, Public Utilities Commission; Josh Switsky, Planning; Nate Cruz, Port of San Francisco; Kevin Kone, San Francisco International Airport.

2. Board File Number: TBD — **Approval of the ordinance authorizing the issuance of Certificates of Participation (COPs) for the Music**

	Concourse Garage in an amount not to exceed $29,000,000
CPC Recommendation:	The CPC recommends approval of this ordinance.
Comments:	The CPC approves this item by a vote of 10-0. Committee members or representatives in favor: Brian Strong, Office of the City Administrator; Sunny Angulo, Board President's Office; Sophia Kittler, Mayor's Budget Office; Greg Wagner, Controller; Bruce Robertson, Public Works; Jonathan Rewers, SFMTA; Stephen Robinson, Public Utilities Commission; Josh Switsky, Planning; Nate Cruz, Port of San Francisco; Kevin Kone, San Francisco International Airport.
3. Board File Number: TBD	**Approval of the resolution amending the FY2024-2033 Capital Plan to include the $390,000,000 Healthy, Safe, & Vibrant San Francisco General Obligation (G.O.) Bond**
CPC Recommendation:	The CPC recommends approval of this resolution.
Comments:	The CPC approves this item by a vote of 10-0. Committee members or representatives in favor: Brian Strong, Office of the City Administrator; Sunny Angulo, Board President's Office; Sophia Kittler, Mayor's Budget Office; Greg Wagner, Controller; Bruce Robertson, Public Works; Jonathan Rewers, SFMTA; Stephen Robinson, Public Utilities Commission; Josh Switsky, Planning; Nate Cruz, Port of San Francisco; Kevin Kone, San Francisco International Airport.

TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO

and

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

Dated as of [____] 1, 2024

Relating to:

$[PAR AMOUNT]
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

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TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of [____] 1, 2024 (this "Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO (the "City"), a charter city and county organized and existing under its Charter and the Constitution and laws of the State of California, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, both as trustee hereunder (the "Trustee" or "Certificates Trustee") and as Project Trustee (as defined herein);

W I T N E S S E T H

WHEREAS, the City desires to fund all or a portion of the acquisition of certain real property (including leasehold interests), additions and improvements of the Concourse Garage located at Golden Gate Park in the City and related property (as further described herein, the "2024 Project"); and

WHEREAS, in connection therewith, the City is causing certain property located at Golden Gate Park in the City and the facilities and structures related thereto (as further defined in the Lease Agreement, the "Facilities"), and to be constructed thereon, and the real property on which such Facilities are situated (the "Site" and, together with the Facilities, the "Leased Property") to be conveyed to the Project Trustee, as trustee for the Project Trust, pursuant to a Property Lease, dated as of the date hereof (the "Property Lease"); and

WHEREAS, concurrently herewith, the City and the Project Trustee, as trustee for the Project Trust, have entered into a Lease Agreement, dated as of the date hereof (the "Lease Agreement"), pursuant to which the City has leased the Leased Property from the Project Trustee for the City's public purposes; and

WHEREAS, pursuant to the Lease Agreement the City has agreed to make certain payments of Base Rental and Additional Rental (both as hereinafter defined) to the Project Trustee for the use and occupancy of the Leased Property; and

WHEREAS, the Trustee, as Certificates Trustee, shall execute and deliver the hereinafter described certificates of participation (the "Certificates"), evidencing proportionate interests in all of the rights of the Trustee under the Property Lease and the Lease Agreement, including the right to receive Base Rental payments payable thereunder, and shall undertake such other responsibilities as are assigned to the Trustee pursuant to this Trust Agreement; and

WHEREAS, the City has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement do exist, have happened and have been performed in due time, form and manner as required by law, and the parties hereto are duly authorized to execute and enter into this Trust Agreement;

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Trustee of its duties hereby imposed, and of the purchase and acceptance of the Certificates by the Owners (as defined hereinafter), and to fix and declare the terms and conditions upon which the Certificates are to be executed, delivered and accepted by all Persons who shall from time to time be or become Owners thereof, and to secure the payment of the principal and interest evidenced by the Certificates according to their tenor, purport and effect, and to secure the performance and observance of all of the covenants, agreements and conditions contained herein, therein and in the Property Lease and the Lease Agreement, the City and the Project Trustee do hereby grant and assign to the Certificates Trustee for the benefit of the Owners, subject only to the provisions of this Trust Agreement, the Property Lease and the Lease Agreement (such property being collectively herein referred to as the "Trust Estate"), the following:

I.

All right, title and interest of the Project Trustee in and to the Property Lease and the Lease Agreement, including all Base Rental payments made by the City pursuant to the Lease Agreement;

II.

All right, title and interest of the City and the Project Trustee in and to all amounts on hand from time to time in the funds and accounts established hereunder (except for amounts on deposit in the Rebate Fund pursuant to the terms of this Trust Agreement); and

III.

All funds, moneys and securities and any and all other rights and interests in property whether tangible or intangible from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder for the Lease Agreement or the Certificates by the City or the Project Trustee or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successors in said trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of all Owners from time to time of the Certificates executed and delivered under and secured by this Trust Agreement without privilege, priority or distinction as to the lien or otherwise of any Certificates over any of the other Certificates, upon the trusts and subject to the covenants and conditions hereinafter set forth;

ARTICLE I

APPOINTMENT OF TRUSTEE; DEFINITIONS

Section 1.01 **Appointment of Trustee**. The Trustee is hereby appointed to act solely as set forth herein, to receive, hold and disburse in accordance with the terms hereof the money to be paid to it, to execute and deliver the Certificates, which represent proportionate interests in the Lease Agreement, including the Base Rental payments payable thereunder, to apply and disburse payments received pursuant to the Lease Agreement to Owners of such Certificates, to enforce the rights of the Trustee under the Lease Agreement, and to perform certain other functions, all as hereinafter provided. By executing and delivering this Trust Agreement, the Trustee accepts the contractual and fiduciary duties and obligations provided herein, but only upon the terms and conditions herein set forth.

Section 1.02 **Definitions**. Unless the context otherwise requires, the terms defined in this Section 1.02 shall, for all purposes of this Trust Agreement, have the meanings set forth below. All other capitalized terms used herein without definition shall have the meanings given to such terms in the Lease Agreement.

"2024 Certificates" means the Certificates of Participation (Concourse Garage Project), Series 2024, authorized hereby and at any time Outstanding hereunder.

"2024 Project" has the meaning set forth in the recitals hereof.

"2024 Reserve Account" means the account within the Reserve Fund established pursuant to Section 4.06(f) hereof in connection with the 2024 Certificates.

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to Section 7.04 hereof.

"Additional Rental" means the amounts specified as such in Section 3.1(b) of the Lease Agreement.

"Administrative Code" means the San Francisco Administrative Code, as amended from time to time.

"Authority" means the Golden Gate Park Concourse Authority of the City.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental" means the amounts specified as such in Section 3.1(a) of the Lease Agreement, as such amounts may be adjusted from time to time in accordance with the terms of the Lease Agreement, and any amounts as may specified in a supplement to the Lease Agreement in connection with Additional Certificates, but does not include Additional Rental.

"Base Rental Fund" means the fund of that name established pursuant to Section 4.05 hereof.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificate Counsel" means a law firm that is nationally recognized in the practice of municipal finance.

"Certificate Payment Date" means, with respect to any Certificate, the date designated therein, which is the date on which the principal component of the Base Rental evidenced and represented thereby shall become due and payable.

"Certificate Register" means the books referred to in Section 2.08 hereof.

"Certificates" means the 2024 Certificates and all Additional Certificates hereunder.

"City" means the City and County of San Francisco, and its successors and assigns.

"City Representative" means the Mayor, the Controller, the Director of Public Finance or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to this Trust Agreement, the Lease Agreement, the Property Lease and all other agreements related hereto and thereto.

"Closing Date" means [_____], 2024, the date of original execution and delivery of the 2024 Certificates and, as appropriate, the date of original execution and delivery of any Additional Certificates.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

"Commission" means the Recreation and Park Commission of the City.

"Continuing Disclosure Certificate" means one or more Continuing Disclosure Certificates executed by the City, dated a Closing Date, as originally executed and as each may be amended from time to time.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, the Property Lease, the Lease Agreement, the Certificates and the preliminary and final official statements pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; bond, disclosure and other legal fees and expenses of counsel with respect to the financing of the Project and with respect to any validation proceedings occurring in connection therewith; any computer and other expenses incurred in

connection with the Certificates; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); fees and expenses of financial advisors; premium for title insurance; fees and expenses of publication of notices; and other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the financing for the Project, to the extent such fees and expenses are approved by a City Representative.

"Costs of Issuance Fund" means the fund of that name established pursuant to Section 4.02 hereof.

"Credit Facility" means any letter of credit, line of credit, insurance policy, surety bond or other credit source deposited with the Trustee by the City to satisfy the Reserve Requirement as of the Closing Date.

"Defeasance Securities" means (i) Government Obligations and (ii) 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 has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or Government Obligations; (c) the principal of and interest on the Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations; (d) the Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the Government Obligations are not available to satisfy any other claims, including those of or against the trustee or escrow agent; and (f) the municipal obligations are rated AAA by S&P and Aaa by Moody's.

"Depository" means DTC and its successors and assigns, or if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the City discontinues use of the Depository pursuant to Section 2.13 hereof, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Certificates and which is selected by the City.

"Director of Property" means the City's Director of Property or any successor officer of the City who performs substantially the same duties as the Director of Property performs as of the date of this Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Electronic Notice" means notice given by The Bond Buyer Wire or Bloomberg Business News.

"Event of Default" means any one or more of the events described in Section 9.01 of this Trust Agreement.

"Facilities" means the improvements, structures and fixtures related thereto and located on the Site together with all other works, property or structures located from time to time on the Site.

"Financing Documents" mean this Trust Agreement, the Property Lease, the Lease Agreement and the Continuing Disclosure Certificate, including any amendments or supplements to any of the foregoing documents.

"Fiscal Year" means the fiscal year of the City being July 1 to the following June 30 or any subsequent fiscal year adopted by the City.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Government Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and prerefunded municipal obligations rated in the highest rating category by Moody's and S&P.

"Independent Counsel" means an attorney or firm of attorneys selected by the City.

"Interest Payment Date" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being April 1 and October 1 in each year, commencing [____] 1, 20[__], and continuing until the Certificate Payment Date or earlier prepayment date of the Certificates.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained hereunder.

"Lease Agreement" means that certain Lease Agreement dated as of the date hereof, by and between the Project Trustee and the City, including any amendments or supplements thereto.

"Lease Agreement Term" means the term of the Lease Agreement as provided in Section 2 thereof.

"Lease Agreement Year" means the period from the Closing Date through [____] 1, 20[__] and thereafter the period from each April 1 to and including the following April 1, during the Lease Agreement Term.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Proceeds" means any net proceeds of insurance or condemnation proceeds paid with respect to the affected portion of the Leased Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

"Outstanding" when used as of any particular time with respect to any Certificate, means any Certificates theretofore executed and delivered by the Trustee under this Trust Agreement except:

(1) any Certificate paid in accordance with its terms;

(2) any Certificate theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(3) any Certificate for the payment or prepayment of which funds or Defeasance Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether prior to the Certificate Payment Date or prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 5.03 hereof or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(4) any Certificate purchased by the City; and

(5) any Certificate in lieu of or in exchange for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.05 hereof.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Participants" means a member of or participant in, the Depository.

"Permitted Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration - Participation certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") - guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration - Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the full faith and credit of the United States of America;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") - Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(vi) Federal Farm Credit System - Consolidated systemwide bonds and notes; and

(vii) Any other agency or instrumentality of the United States of America the obligations of which are guaranteed by the non-full faith and credit of the United States of America;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G or AAAm and by Moody's of Aaa;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have one of the two highest short-term letter and numerical ratings, at the time of purchase, of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by FDIC;

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates;

(h) Commercial paper of "prime" quality rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;

(i) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements with maturities of either (a) 30 days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated, at the time of purchase, A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the

collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(l) Defeasance Securities described in clause (ii) of the definition thereof;

(m) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated, at the time of purchase, in one of the two highest rating category by Moody's and S&P, including prerefunded municipal obligations;

(n) The Local Agency Investment Fund administered by the State of California; and

(o) Any investment, with confirmation from the Rating Agencies that the ratings on the Certificates will not be lowered as a result of such investment.

In connection with the purchase of any Permitted Investment, the City may enter into agreements, including forward purchase agreements, with the seller thereof.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prepayment Notice" shall have the meaning assigned to such term in Section 5.03 hereof.

"Prepayment Price" means the principal amount represented by the Certificates, plus any applicable premium.

"Principal Office of the Trustee" means the corporate trust office of the Trustee located at [_____], or such other office that the Trustee may designate in writing to the City from time to time as the corporate trust office for purposes of this Trust Agreement; provided, however, that for purposes of the registration, transfer, exchange, payment or surrender of Certificates, the term "Principal Office of the Trustee" means care of the corporate trust office of the Trustee in [___], California.

"Project" means the 2024 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with this Trust Agreement.

"Project Costs" means the contract price paid or to be paid to or at the direction of any contractor for the acquisition, construction, installation or improvement to, or rehabilitation of, the Project, and reimbursement to the City for any payments made for or in connection with the acquisition of or improvement to the Project by the City prior to or subsequent to the Closing Date.

"Project Fund" means the fund of that name established pursuant to Section 4.03 hereof.

"Project Trust" means the trust established pursuant to Section 6.11 hereof.

"Project Trustee" means the Trustee, in its capacity as trustee of the Project Trust pursuant to Section 6.11 hereof.

"Property Lease" means that certain Property Lease dated as of the date hereof, by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto.

"Rating Agencies" means S&P, Fitch and/or Moody's, whichever then has a current rating on the Certificates.

"Rebate Fund" means the fund of that name established pursuant to Section 4.17 hereof.

"Record Date" means any Regular Record Date.

"Regular Record Date" means the close of business on the 15th day of the calendar month next preceding each Interest Payment Date, whether or not a Business Day.

"Reserve Account" means the 2024 Reserve Account established pursuant to Section 4.05(f) to support payments with respect to the 2024 Certificates.

"Reserve Fund" means the fund of that name established pursuant to Section 4.06 hereof.

"Reserve Requirement" means, as of any date of calculation, the least of (i) the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates or (iii) 10% of the stated principal amount of the Certificates originally executed and delivered (less original issue discount if in excess of two percent of the stated redemption price of the Certificates at maturity). The Reserve Requirement shall be applied separately for each series of Certificates or on an aggregate basis if the Reserve Fund or any account therein secures more than one series of Certificates on a parity basis.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sinking Account Installment" means the principal amount represented by the Certificates required to be paid on any Interest Payment Date pursuant to Section 5.01(c) hereof.

"Site" means the real property, as described in Exhibit A to the Lease Agreement, including any real property substituted therefor or added thereto pursuant to the Lease

Agreement but excluding real property that has been released or for which new real property has been substituted in accordance with the Lease Agreement.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate dated the Closing Date and executed by the City and as appropriate any Tax Certificate executed by the City in connection with Additional Certificates.

"Tax-Exempt" means, with respect to interest on, or with respect to, any obligations of a state or local government, including the Certificates, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Treasurer" means the Treasurer of the City and County of San Francisco.

"Trust" means the "Concourse Garage Project Trust" established pursuant to Section 6.11 hereof.

"Trust Agreement" means this Trust Agreement by and between the City and the Trustee, including any amendments or supplements hereto.

"Trust Estate" means all right, title and interest granted to the Trustee in the granting clauses of this Trust Agreement.

"Trustee" or "Certificates Trustee" means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, acting in its capacity as such under this Trust Agreement, or any successor appointed as herein provided.

"Written Certification," "Written Direction" or "Written Request" means an instrument in writing signed on behalf of the City by a City Representative.

Section 1.03 **Rules of Construction**. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

Section 1.04 **Timing of Actions**. Whenever in this Trust Agreement there is designated a time of day at or by which a certain action must be taken, such time shall be local time in San Francisco, California, except as otherwise specifically provided herein. If the date for making any payment or the last day for the performance of any act or the exercise of any right, as provided in this Trust Agreement, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect

as if done on the nominal date provided in this Trust Agreement, except as otherwise specifically provided herein. Notwithstanding the foregoing, if an Interest Payment Date for the Certificates falls on a day which is not a Business Day, then amounts due with respect to the Outstanding Certificates on such Interest Payment Date shall be paid on the next succeeding Business Day but interest shall accrue only to such Interest Payment Date.

Section 1.05 **Authorization**. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution and delivery of this Trust Agreement.

ARTICLE II

CERTIFICATES OF PARTICIPATION

Section 2.01 **Authorization and Designation**. The Trustee is hereby authorized and directed to execute and deliver the 2024 Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the right to receive Base Rental payments under the Lease Agreement, as more particularly described therein, herein and in the Certificates. The 2024 Certificates shall be designated "Certificates of Participation (Concourse Garage Project), Series 2024" and shall be executed and delivered in the aggregate principal amount of $[PAR AMOUNT].

Section 2.02 **Description of the Certificates**. Each Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Certificates shall be dated the Closing Date. The Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to Section 2.11 hereof.

The 2024 Certificates shall be executed and delivered in the aggregate principal amount of $[PAR AMOUNT] and shall have Certificate Payment Dates of April 1 in the years and shall evidence and represent principal components in the amounts, with an interest component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

Certificate Payment Date (April 1)	Principal Amount	Interest Rate
	$	%

Certificate Payment Date (April 1)	Principal Amount	Interest Rate

†

† Term Certificates.

The interest evidenced and represented by the 2024 Certificates shall be payable on April 1 and October 1 of each year, beginning on [____] 1, 20[__] and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the 2024 Certificates shall be payable on April 1 of each year, beginning on [___] 1, 20[__] and continuing to and including April 1, 20[__] and shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each April 1.

The 2024 Certificates with Certificate Payment Dates of April 1, 20[__] shall be subject to mandatory sinking account installment prepayment as set forth in Section 5.01(c).

Section 2.03 **Form**. The Certificates shall be substantially in the form set forth in Exhibit A attached hereto and incorporated herein by this reference. The Certificates may be printed, lithographed, photocopied or typewritten.

Section 2.04 **Execution**. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or signatory of the Trustee.

Section 2.05 **Transfer and Exchange**. The registration of any Certificate may be transferred upon the Certificate Register upon surrender of such Certificate to the Trustee. Such

Certificate shall be endorsed or accompanied by delivery of the written instrument of transfer shown in Exhibit A hereto, duly executed by the Owner, together with the payment of such transfer fees as the Trustee may establish. Upon such registration of transfer, a new Certificate or Certificates, of authorized denominations, for the same series, principal amount, Certificate Payment Date and interest rate will be executed and delivered to the transferee in exchange therefor.

Subject to the provisions of Section 2.11 hereof, the City and the Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute Owner of such Certificate, whether the principal of or interest with respect to such Certificate shall be overdue or not, for the purpose of receiving payment of principal and interest with respect to such Certificate and for all other purposes, and any such payments so made to any such Owner or upon his or her order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the City nor the Trustee shall be affected by any notice to the contrary.

Certificates may be exchanged at the Principal Office of the Trustee for a like principal amount of Certificates of authorized denominations of the same series, Certificate Payment Date and interest rate.

All Certificates surrendered for transfer or exchange shall, upon the execution and delivery of the new Certificates, be canceled by the Trustee. The Trustee may charge a reasonable sum for each new Certificate executed and delivered and the Trustee may require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid thereon.

The Trustee shall not be required to register the transfer or exchange of any Certificate, whether or not that Certificate shall thereafter be selected for prepayment, during the period established by the Trustee for selection of Certificates to be prepaid or to transfer or exchange any Certificate selected for prepayment, except for the unprepaid portion of any Certificate prepaid only in part.

Section 2.06 **Certificates Mutilated, Lost, Destroyed or Stolen**. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like series, denomination, Certificate Payment Date and interest rate in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed with a certificate of destruction furnished to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee and a City Representative and an indemnity satisfactory to the Trustee and a City Representative has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like series, tenor and denomination in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.06 and of the expenses that may be incurred by the Trustee in carrying out its duties under this Section 2.06. Any Certificate executed and delivered under the provisions of this Section 2.06 in lieu of any Certificate claimed to be lost, destroyed

or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates. Notwithstanding any other provision of this Section 2.06, in lieu of delivering a new Certificate for one which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for prepayment, the Trustee may make payment of the principal of, premium, if any, or interest with respect to such Certificate, subject to receipt of an indemnity satisfactory to it.

Section 2.07 **Execution of Documents and Proof of Ownership**. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner, the fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified; of an officer of any bank or trust company located within the United States of America; or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him or her the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his or her authority.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.08 **Certificate Register**. The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall at all times during regular business hours be open to inspection by the City and an Owner with an interest of not less than 10% of the aggregate principal amount of the Certificates then Outstanding. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions hereof, register, or register the transfer of, the Certificates, or cause the same to be registered or cause the transfer of the same to be registered, on such books.

Section 2.09 **Nonpresentment of Certificates**. If any Certificate shall not be presented for payment when the principal evidenced thereby becomes due, if funds sufficient to pay such Certificate shall be held by the Trustee for the benefit of the Owner thereof, all liability of the City to the Owner thereof for the payment of principal, premium, if any, and interest represented by such Certificate shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (subject to Section 2.10 hereof), without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted

exclusively to such funds for any claim of whatever nature on, or with respect to, such Certificate.

Section 2.10 **Unclaimed Money**. All money which the Trustee shall have received from any source and set aside for the purpose of paying any Certificate shall be held in trust for the Owner of such Certificate, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of one year after the date on which any payment with respect to such Certificate shall have become due and payable shall be paid to the City; provided, however, that the Trustee shall, before making any such payment, notify the City and, at the direction and expense of the City, shall cause notice to be mailed to the Owner of such Certificate, by first-class mail, postage prepaid, and by a single publication in *The Bond Buyer* or *The Wall Street Journal* (or if such notice cannot be published in *The Bond Buyer* or *The Wall Street Journal*, in some other financial newspaper selected by the Trustee which regularly carries such notices for obligations similar to the Certificates) not less than 90 days prior to the date of such payment to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be returned to the City. During any period in which the Trustee holds such unclaimed money, the Trustee shall not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized. Thereafter, the Owner of such Certificate shall look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

Section 2.11 **Book-Entry System; Limited Obligation**. The 2024 Certificates and any Additional Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten, printed, lithographed or photocopied) for each of the Certificate Payment Dates of the Certificates. Upon initial execution and delivery, the ownership of each such global Certificate shall be registered in the Certificate Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.13 hereof, all of the Outstanding Certificates shall be registered in the Certificate Register kept by the Trustee in the name of the Nominee and the Certificates may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or a successor Depository.

With respect to Certificates registered in the Certificate Register in the name of the Nominee, the City and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Certificates. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Certificates, (b) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Certificates, including any Prepayment Notice, (c) the selection by the Depository and the Participants of the beneficial interests in the Certificates to be prepaid in part, or (d) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, premium, if any, or interest with respect to the Certificates. The City and the Trustee may treat and consider the person in whose name each Certificate is registered in the Certificate Register as the holder

and absolute owner of such Certificate for the purpose of payment of principal of, premium, if any, and interest with respect such Certificate, for the purpose of giving Prepayment Notices and other notices with respect to such Certificate, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Certificates.

The Trustee shall pay all principal of, premium, if any, and interest with respect to the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner, as shown in the Certificate Register, shall receive a Certificate evidencing the obligation to make payments of principal of, premium, if any, and interest pursuant to this Trust Agreement. Upon delivery by the Depository to the Trustee and the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Agreement shall refer to such new nominee of the Depository.

Section 2.12 **Representation Letter**. To qualify the Certificates for the Depository's book-entry system, the City has executed and delivered to such Depository a representation letter from the City representing such matters as shall be necessary to so qualify the Certificates (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.11 hereof or in any other way impose upon the City any obligation whatsoever with respect to persons having beneficial interests in the Certificates other than the Owners, as shown in the Certificate Register kept by the Trustee. In addition to the execution and delivery of the Representation Letter, any City Representative and all other officers of the City, and their respective deputies and designees, each are hereby authorized to take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

Section 2.13 **Transfers Outside Book-Entry System**. If at any time the Depository notifies the City and the Trustee that it is unwilling or unable to continue as Depository with respect to the Certificates or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the City within 90 days after the City and the Trustee receive notice or become aware of such condition, as the case may be, Section 2.11 hereof shall no longer be applicable and the Trustee shall execute and deliver certificates representing the Certificates as provided below. In addition, the City may determine at any time that the Certificates shall no longer be represented by global certificates and that the provisions of Section 2.11 hereof shall no longer apply to the Certificates. In any such event, the Trustee shall execute and deliver certificates representing the Certificates as provided below. Certificates executed and delivered in exchange for global certificates pursuant to this Section 2.13 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct the City and the Trustee. The Trustee shall deliver such certificates representing the Certificates to the persons in whose names such Certificates are so registered.

If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or cause to be prepared a new fully-registered global certificate for each of Certificate Payment Date of the Certificates, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the City, the Trustee and such securities depository and not inconsistent with the terms of this Trust Agreement.

Section 2.14 **Payments and Notices to the Nominee**. Notwithstanding any other provision of this Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.15 **Initial Depository and Nominee**. The initial Depository under this Trust Agreement shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

INTEREST RATE PROVISIONS

Section 3.01 **Interest with Respect to the Certificates**. Interest represented by the 2024 Certificates shall be payable at the respective per annum rates set forth in Section 2.02 hereof. The interest evidenced and represented by the 2024 Certificates shall be payable on April 1 and October 1 of each year, beginning on [April/October] 1, 20[__] and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

Section 3.02 **Medium of Payment; Interest Accrual**. Principal, premium, if any, and interest evidenced and represented by the Certificates shall be payable in lawful money of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by wire transfer to any Owner of $1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Certificate is registered at the close of business on a special record date fixed therefor by the Trustee which shall not be more than 15 days and not less than 10 days prior to the date of the proposed payment of defaulted interest as set forth in a notice to the Owner thereof on the Regular Record Date. Payment of the principal of the Certificates upon prepayment or upon the Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee.

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

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.01 **Application of Sale Proceeds of the 2024 Certificates**. Upon payment for the 2024 Certificates, when the same shall be sold to the original purchaser thereof, a net amount of proceeds from such sale equal to $[_____] shall be delivered to the Trustee and deposited by the Trustee as follows:

(1) The Trustee shall deposit into the Costs of Issuance Fund the sum of $[_____].

(2) The Trustee shall deposit into the 2024 Reserve Account in the Reserve Fund the sum of $[_____], representing the Reserve Requirement applicable to the 2024 Certificates as of the Closing Date.

(3) The Trustee shall deposit into the Base Rental Fund the sum of $[_____], representing capitalized interest with respect to the Certificates.

(4) The Trustee shall deposit into the Project Fund the remainder of such proceeds, being $[_____].

Section 4.02 **Establishment and Application of Costs of Issuance Fund**. There is hereby established in trust a special fund designated as the "Costs of Issuance Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV.

There shall be deposited in the Costs of Issuance Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(1) hereof. The Trustee shall disburse money from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached hereto as Exhibit B. Any amounts remaining in the Costs of Issuance Fund on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance have been paid or the date twelve months from the Closing Date shall be transferred by the Trustee to the Base Rental

Fund, provided that such transfer has been approved in writing by a City Representative, and the Cost of Issuance Fund shall then be closed.

Section 4.03 **Establishment and Application of Project Fund**. There is hereby established in trust a special fund designated as the "Project Fund," which fund shall be deemed held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. There shall be deposited in the Project Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(4) hereof.

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

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor in the form set forth in Exhibit C. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or the performance of any construction and similar contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under this Section 4.03.

If, after payment by the Trustee of all requisitions theretofore tendered to the Trustee under the provisions of this Section 4.03, and delivery to the Trustee of a Written Certificate of the City to the effect that all Project Costs have been paid and that the Project has been substantially completed in the form of Exhibit D hereto, there shall remain any balance of money in the Project Fund, all money so remaining shall be transferred as directed by the City after consultation with Certificate Counsel.

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

Section 4.04 **Establishment and Application of Base Rental Fund.**

(a) Base Rental Fund. There is hereby established in trust a special fund designated as the "Base Rental Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. The Base Rental Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Lease Agreement, or until such earlier date as there are no Certificates Outstanding. The Trustee shall deposit in the

Base Rental Fund (i) all Base Rental payments, (ii) all amounts, if any, required to be deposited in the Base Rental Fund pursuant to Section 3 of the Lease Agreement, (iii) all investment earnings required to be deposited therein pursuant to the provisions of this Trust Agreement, (iv) all amounts required to be deposited pursuant to paragraph (b) below and (v) that portion of the proceeds of the Certificates required to be deposited therein pursuant to Section 4.01(3) hereof.

Moneys from the proceeds of the 2024 Certificates deposited in the Base Rental Fund and earnings thereon shall be credited as amounts due in respect of the interest components of Base Rental from the City (allocable to the 2024 Certificates) on the following dates in the following amounts:

Date	Deposit	Interest	Principal	Scheduled Draws	Balance

Payments of Base Rental received by the Trustee under the Lease Agreement shall be net of amounts in the Reserve Fund in excess of the Reserve Requirement on each succeeding Interest Payment Date and net of amounts on deposit in the Base Rental Fund that are available for the payment of interest and principal with respect to the Certificates. These amounts shall be deposited into the Base Rental Fund, as appropriate, based upon Exhibit B of the Lease Agreement, as adjusted pursuant to the terms thereof.

Moneys held in the Base Rental Fund, other than as provided in paragraph (b) below, shall be applied by the Trustee to the payment of (i) interest due and payable with respect to the Certificates on each Interest Payment Date and (ii) principal or Sinking Account Installment, if any, due and payable with respect to the Certificates on each Interest Payment Date. If insufficient amounts are available in the Base Rental Fund or otherwise to pay interest and principal represented by the Certificates when due, available amounts shall be allocated proportionately among the Certificates based on the amount of interest and principal then due with respect to each Certificate.

(b) Prepayment. Any net proceeds of insurance or awards in respect of a taking under the power of eminent domain not required to be used for repair or replacement of the Project or Leased Property, as applicable, and, under the terms of Section 4.09 or Section 4.10 of this Trust Agreement, required to be deposited into the Base Rental Fund, any amounts required to be transferred to the Base Rental Fund pursuant to this Section 4.05, and any other amounts provided for the prepayment of Certificates in accordance with Section 5.01(a) hereof, shall be deposited by the Trustee in the Base Rental Fund. The Trustee shall, on the scheduled prepayment date withdraw from the Base Rental Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the Certificates to be prepaid on such date.

(c) Delinquent and Surplus Base Rental Payments. All delinquent Base Rental payments received pursuant to the Lease Agreement and any proceeds of rental interruption insurance received by the Trustee shall be deposited into the Base Rental Fund. All proceeds of rental interruption insurance and delinquent Base Rental payments so received shall be applied first to the payment of overdue installments of interest, then to the payment of overdue installments of principal and then to make up any deficiency in the Reserve Fund (proportionately among any Reserve Accounts in the Reserve Fund). Commencing [April/October] 1, 20[__], any amounts remaining in the Base Rental Fund on each Interest Payment Date which are not required for the payment of principal of or interest with respect to the Certificates on such Interest Payment Date shall be, first, transferred as directed in writing by a City Representative to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, retained in such Fund unless the City otherwise directs, in writing, that such amount be remitted to the City (except that any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the Base Rental Fund until expended).

Section 4.05 **Establishment and Application of Reserve Fund.**

(a) There is hereby established in trust a special fund designated as the "Reserve Fund," together with such accounts therein as the City may request the Trustee to establish, which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in this Article IV. There shall be initially deposited into the Reserve Fund the amount required to be deposited therein pursuant to Section 4.01(2) hereof.

(b) The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease Agreement or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment may, at the City's option, be paid from the Reserve Fund. A Credit Facility in the amount of the Reserve Requirement may be substituted for all or a portion of the funds held by the Trustee in the Reserve Fund by the City at any time, provided that with respect to any such substitution (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy such Credit Facility shall be for the term of the Certificates. If a Credit Facility provider is downgraded or a rating is withdrawn with respect to such provider for any reason, there shall be no obligation to replace or secure the Credit Facility. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall be transferred as directed in writing by a City Representative.

(c) If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee shall transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Fund

are restricted to a series of Certificates, then such amounts shall only be available for such series of Certificates). In the event of any such transfer, the Trustee shall immediately provide written notice to the City of the amount and the date of such transfer.

(d) For purposes of determining the amount on deposit at any time in the Reserve Fund, the Trustee shall value all Permitted Investments on or before each April 1 and October 1 at market value. In making any such valuations hereunder, the Trustee may utilize and rely upon securities pricing services that may be available to it, including those within its regular accounting system. Any moneys in the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing [April/October] 1, 20[__], and at such other time or times as directed by the City in a written order signed by a City Representative and delivered to the Trustee, shall be transferred to the Base Rental Fund and applied to the payment of the principal of and interest with respect to the Certificates on the next succeeding Interest Payment Date therefor, or transferred to such other fund as may be designated in such written order.

(e) The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

(f) The 2024 Reserve Account is hereby established in connection with the 2024 Certificates. The 2024 Reserve Account shall only be available to support payments with respect to the 2024 Certificates.

Section 4.06 **Surplus**. After (a) (i) payment or prepayment or provision for payment or prepayment of all amounts due with respect to the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of the Certificates pursuant to Section 11.01(a)(ii) or (iii) hereof, and (b) the transfer of any additional amounts required to be deposited into the Rebate Fund pursuant to a Written Request from a City Representative in accordance with Section 4.7(h) of the Lease Agreement and the Tax Certificate, any amounts remaining in any of the funds, accounts or subaccounts established hereunder (except for the Rebate Fund) and not required for such purposes shall after payment of any amounts due to the Trustee as evidenced by a Written Certificate of a City Representative, be remitted to the City and used for any lawful purpose thereof; provided, however, that in the event of defeasance, amounts shall not be remitted to the City until the City has delivered or caused to be delivered an opinion of Independent Counsel to the effect that remission of such amounts to the City shall not affect the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates. Investment Earnings on amounts on deposit in all funds, accounts or subaccounts established hereunder shall be applied as provided in Section 4.16 hereof.

Section 4.07 **Additional Rental**. In the event the Trustee receives Additional Rental pursuant to the Lease Agreement, the Trustee shall establish a separate fund for such Additional Rental and deposit any such amounts therein and such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Lease Agreement or this Trust Agreement. Notwithstanding the foregoing, to the extent such Additional Rental was for deposit into the Rebate Fund, such amounts shall be deposited into such fund.

Section 4.08 **Repair or Replacement.**

(a) Application of Insurance Proceeds. If the Leased Property or any portion thereof shall be damaged or destroyed, the City shall make an election either to prepay Certificates or to repair or replace the Leased Property or affected portion thereof in accordance with the provisions of the Lease Agreement. Notwithstanding the provisions of the Lease Agreement, a City Representative shall, within 180 days of the occurrence of the event of damage or destruction (unless such time period is extended at the option of the City), notify the Trustee in writing of its election. The proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Leased Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund (the "Special Fund") and made available for and, to the extent necessary, shall be applied to the prepayment of Certificates in accordance with Section 5.01(b) hereof or applied to the cost of repair or replacement of the Leased Property or the affected portion thereof, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely on any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any insurance, including the proceeds of any self-insurance, remaining after the Leased Property or any portion thereof which was damaged or destroyed is restored to and made available to the City in substantially the same condition and fair rental value as that which existed prior to the damage or destruction or the prepayment, or provision for the prepayment, of Certificates as required in Section 5.01(b), in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to the maximum amount of Base Rental payments becoming due under the Lease Agreement in the then current Lease Agreement Year or any subsequent Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) Eminent Domain. If the Leased Property or any portion thereof shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the provisions set forth in Section 6 of the Lease Agreement shall apply. Notwithstanding the provisions of the Lease Agreement, the City shall, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, notify the Trustee in writing of whether the Leased Property will be replaced or the Certificates prepaid. The proceeds of any condemnation award shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund and made available for

and, to the extent necessary, shall be applied to prepay Certificates in accordance with Section 5.01(b) hereof or applied to the cost of replacement of the Leased Property, in either case upon receipt of a written request of a City Representative. The Trustee may conclusively rely on any such written request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after the Leased Property has been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the prepayment, or provision for the prepayment, of Certificates as required in Section 5.01(b), in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of the Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under the Lease Agreement in the then current Lease Agreement Year or any subsequent Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Section 4.09 **Title Insurance**. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Property or any portion thereof for the benefit of the Owners shall be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Leased Property and will not result in an abatement of Base Rental payable by the City under the Lease Agreement, upon written direction of the City such proceeds shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited shall, if there is first delivered to the Trustee a written certificate of a City Representative to the effect that the annual fair rental value of the Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental becoming due under the Lease Agreement in the then current Lease Agreement Year or any subsequent Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts shall be transferred to the Base Rental Fund and used to prepay Certificates pursuant to Section 5.01(b) hereof, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of the Leased Property has been affected by such title defect, and if the City certifies in writing that such title defect will result in an abatement of Base Rental payable by the City under the Lease Agreement, then upon written direction of the City either

(i) the Trustee on behalf of the City shall use the insurance proceeds to remove the title defect, or (ii) the Trustee shall, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the Base Rental Fund, and such proceeds shall be applied to the prepayment of Certificates in the manner provided in Section 5.01(b) hereof.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of this Trust Agreement shall be paid to the City to be used for any lawful purpose.

Section 4.10 **Application of Amounts After Default by City**. All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under Section 13 of the Lease Agreement shall be held and applied in accordance with Section 9.07 hereof.

Section 4.11 **Moneys Held in Trust**. The money and investments held by the Trustee hereunder are irrevocably held in trust for the purposes herein specified, and such money and investments, and any income or interest earned thereon, shall be expended only as provided herein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the City, (ii) the Trustee, or (iii) any Owner or beneficial owner of any Certificate.

Section 4.12 **Investments Authorized**. Money held by the Trustee in any fund or account hereunder shall be invested by the Trustee in Permitted Investments, pending application as provided herein, solely at the Written Direction of a City Representative, shall be registered in the name of the Trustee, if registrable, for the benefit of the Owners, and shall be held by the Trustee. A City Representative shall, where applicable, direct the Trustee prior to 12:00 p.m. Pacific time on the Business Day prior to the date any Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. Money held in any fund, account, or subaccount hereunder may be commingled for purposes of investment only; provided, however, that each fund, account, or subaccount held by the Trustee hereunder shall be accounted for separately. If a City Representative shall fail to provide the Trustee with Written Direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clause (h).

The Trustee understands and acknowledges that any investments and reinvestments shall be made after giving full consideration to the time at which funds are required to be available hereunder and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by this Trust Agreement; provided, however, that investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not invest any moneys held hereunder in Permitted Investments offered by or through the Trustee or its affiliates unless (1) the Trustee determines such investment is consistent with the investment restrictions contained herein, (2) a City Representative expressly consents in writing to the investment of the funds in the specific Permitted Investment. The foregoing consent must be received for each specific investment; other than for deposits pursuant to clause (h). All consents must be express and in writing and signed by a City Representative.

Section 4.13 **Reports**. The Trustee shall furnish monthly to the City a report of all investments made by the Trustee, which will contain a list of investments and the interest payment dates of such investments, and of all amounts on deposit in each fund and account maintained hereunder, and the cost and market value of such investments, provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero and (b) has not had any activity since the last report was delivered.

Section 4.14 **Valuation and Disposition of Investments**. For the purpose of determining the amount in any fund or account hereunder other than the Reserve Fund, all Permitted Investments shall be valued on or before each April 1 and October 1 at the greater of cost or market value. All Permitted Investments on deposit in the Reserve Fund shall be valued on or before each April 1 and October 1, commencing [April/October] 1, 20[__]. The Trustee may sell at the best price obtainable (the highest bid among three arm-length bids deemed to be satisfaction of such requirement), but not to itself, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or misconduct.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish the City with periodic cash transaction statements, which shall include detail for all investment transactions made by the Trustee hereunder.

Section 4.15 **Application of Investment Earnings**. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it hereunder with respect to the Certificates as follows (i) all Investment Earnings on amounts on deposit in the Base Rental Fund and the Project Fund (subject to the fifth paragraph of Section 4.03) shall be retained therein; (ii) if the Reserve Fund is valued at the Reserve Requirement, all Investment Earnings on amounts on deposit in the Reserve Fund shall be transferred to the Base Rental Fund, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund; (iii) all Investment Earnings on amounts on deposit in the Rebate Fund shall be retained therein; and (iv) all Investment Earnings on amounts on deposit in the Costs of Issuance Fund shall be retained therein; in each case, until such moneys are expended or such funds are closed as provided in this Trust Agreement.

Section 4.16 **Establishment and Application of Rebate Fund**. There is hereby established in trust a special fund designated the "Rebate Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement as set forth in written instructions of a City Representative in accordance with Section 4.7(h) of the Lease Agreement and the provisions of the Tax Certificate shall be deposited in the Rebate Fund. Amounts on deposit in the Rebate Fund shall only be applied to

payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

ARTICLE V

PREPAYMENT

Section 5.01 **Prepayment**. The 2024 Certificates shall be subject to optional and mandatory prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment. The 2024 Certificates with a Certificate Payment Date on or after April 1, 20[__], are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after April 1, 20[__], at the option of the City, in the event the City exercises its option under Section 6.1 of the Lease Agreement to prepay the principal component of the Base Rental payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

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

(b) Special Mandatory Prepayment. The Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 hereof following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

(c) Sinking Account Installment Prepayment. The 2024 Certificates with a Certificate Payment Date of April 1, 20[__] will be subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Prepayment Date (April 1)	Sinking Account Installment Amount
	$
†	

† Final Certificate Payment Date.

Section 5.02 **Selection of Certificates for Prepayment**. Whenever provision is made in this Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all Outstanding Certificates are to be prepaid, the City shall direct the principal amount of each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, shall select Certificates for prepayment by lot in any manner that the Trustee in its sole discretion deems fair and appropriate. The Trustee shall promptly notify the City in writing of the Certificates so selected for prepayment. Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part shall be in Authorized Denominations.

Section 5.03 **Notice of Prepayment**. (a) When prepayment is authorized or required pursuant to Section 5.01 hereof, the Trustee shall give notice (a "Prepayment Notice"), at the expense of the City, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (i) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original issue date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto shall cease to accrue and be payable.

(b) The Trustee shall take the following actions with respect to such Prepayment Notice:

(i) At least 20 but not more than 45 days prior to the prepayment date, such Prepayment Notice shall be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at their addresses appearing on the Certificate Register; provided, however, that notice with respect to all Certificates registered in the name of the nominee shall be given in accordance with Section 2.14 of this Trust Agreement.

(ii) At least 20 but not more than 45 days prior to the prepayment date, such Prepayment Notice shall be given by (A) registered or certified mail, postage prepaid, (B) email or telephonically confirmed facsimile transmission, (C) overnight delivery service, or (D) Electronic Notice, to DTC.

(c) Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates. Each check or other transfer of funds issued by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue, series and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

(d) The City may direct the Trustee to provide a conditional notice of prepayment and such notice shall specify its conditional status. Any notice of prepayment may be rescinded by notice delivered in the same manner as the original notice of prepayment.

Section 5.04 **Partial Prepayment of Certificates**. Upon the surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of Authorized Denominations equal to the unprepaid portion of the Certificates surrendered and of the same Certificate Payment Date and interest rate. Such partial prepayment shall be valid upon payment of the amount required to be paid to such Owner, and the City and the Trustee shall be released and discharged thereupon from all liability to the extent of such payment.

Section 5.05 **Effect of Notice of Prepayment**. The Certificates to be prepaid shall become due and payable on the date of prepayment set forth in the Prepayment Notice.

If on such prepayment date money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and if a prepayment notice shall have been given as provided in Section 5.03(b)(i) hereof, then from and after such prepayment date, no additional interest shall become due with respect to the Certificates to be prepaid. All money held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners thereof.

On each prepayment date other than with respect to Sinking Account Installments, the City shall recompute the amount of Base Rental to become due in each remaining year of the Lease Agreement following prepayment of the Certificates to be prepaid and shall notify the Trustee and the City in writing of the amount of such Base Rental.

All Certificates paid at their Certificate Payment Date or prepaid prior to their Certificate Payment Date pursuant to the provisions of this Article V shall be canceled and destroyed by the Trustee upon surrender thereof.

Section 5.06 **Certificates No Longer Outstanding**. When any Certificate or portion thereof has been duly called for prepayment prior to its Certificate Payment Date under the provisions of this Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to its Certificate Payment Date at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient money shall be held by the Trustee irrevocably in trust for the payment of the Prepayment Price of such Certificate, or portion thereof, and accrued interest represented thereby to the date fixed for prepayment, all as provided in this Trust Agreement, then such Certificate or portion thereof shall no longer be deemed Outstanding under the provisions of this Trust Agreement. If the City shall acquire any Certificate by purchase or otherwise, such Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Section 5.07 **Cancellation of Optional Prepayment**. Notwithstanding any other provision of this Trust Agreement, a conditional Prepayment Notice may be provided and if the Certificates are subject to optional prepayment in accordance with Section 5.01(a) and the

Trustee shall not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, the prepayment shall be canceled and in each and every such case, the City, the Trustee and the Owners, as the case may be, shall be restored to their former positions and rights hereunder. Such a cancellation of a prepayment shall not constitute a default hereunder nor an event that with the passage of time or giving of notice or both shall constitute a default hereunder and the Trustee and the City shall have no liability from such cancellation. In the event of such cancellation, the Trustee shall send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

Section 5.08 **Purchase of Certificates**. Unless expressly provided otherwise herein, money held in the Base Rental Fund hereunder in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City hereunder shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of this Section 5.08. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related Certificates. All Certificates so purchased shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

ARTICLE VI

THE TRUSTEE

Section 6.01 **Appointment of the Trustee**. The City hereby appoints the Trustee to receive, deposit and disburse the Base Rental and Additional Rental, to register, execute, deliver and transfer the Certificates and to perform the other functions contained herein; all in the manner provided herein and subject to the conditions and terms hereof. By executing and delivering this Trust Agreement, the Trustee accepts the appointment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms hereof. In carrying out its duties hereunder, the Trustee shall use the same degree of care and skill in its exercise as a prudent person would exercise or use in the conduct of such person's own affairs.

Section 6.02 **Reserved**.

Section 6.03 **Duties of Trustee Generally**. The Trustee shall, prior to an Event of Default, and after the curing, or the waiving by the Owners of the Certificates as provided in Section 9.05, of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care

and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 6.04 **Removal of Trustee**. The City may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

Section 6.05 **Resignation of Trustee**. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City and to the Owners. Upon receiving such notice of resignation, the City shall appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment, other than pursuant to court order.

Section 6.06 **Appointment of Successor Trustee**. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (e) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 60 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but nevertheless at the written request of a City Representative or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor

Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the registration books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

Section 6.07 **Trustee Qualifications**. There shall at all times be a trustee hereunder, which shall be a corporation, banking association, national association or trust company doing business and having a corporate trust office in California and (i) having a combined capital and surplus of at least $75,000,000 and subject to supervision or examination by federal or state authority or (ii) a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) above. If such corporation, banking association, or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.02.

Section 6.08 **Merger or Consolidation**. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under Section 6.02(e) to be the successor to such trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.09 **Liability of Trustee**.

(a) The Trustee shall be responsible for its representations contained in the Certificates. The Trustee shall not be responsible for the sufficiency of the Property Lease, Lease Agreement or of the title to or value of the Leased Property. The Trustee shall be under no responsibility or duty with respect to: (i) the execution and delivery of the Certificates for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received and held by it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct, or breach of an obligation hereunder. The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(c) The Trustee is authorized and directed, in its capacity as Trustee hereunder, to execute the Property Lease and the Lease Agreement.

(d) Except with respect to Events of Default specified in Section 9.01(a) hereof, Trustee shall not be deemed to have knowledge of any Event of Default unless and until the Trustee shall have actual knowledge thereof or the Trustee shall have received written notice thereof at the Corporate Trust Office.

(e) The Trustee (i) may execute any of the trusts or powers set forth herein and perform the duties required of it hereunder by or through attorneys, agents, or receivers and (ii) shall be entitled to the advice of counsel and to rely conclusively on such advice.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

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

(h) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital found in any official statement or other disclosure material, prepared or distributed with respect to the execution and delivery of the Certificates, except for information provided by the Trustee.

(i) Every provision of the Lease Agreement and Property Lease relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article.

(j) In acting as Trustee hereunder and under the Property Lease and the Lease Agreement, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners and the City, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidence by the Certificates.

(k) Before taking any action under Article IX hereof or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorney and advisors, and protect it against all liability it may incur.

(l) Notwithstanding anything to the contrary herein, the Trustee shall not be required to enter or take possession of, or take any other action whatsoever with respect to the Leased Property or the Site unless it shall be satisfied that it will not be subject to liability for the existence of, or contamination by environmentally hazardous substances of any kind whatsoever or other discharges, emissions or release thereof with respect to the Leased Property or the Site.

Section 6.10 **Preservation and Inspection of Documents**. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject to inspection, during business hours and upon reasonable notice, of the City, the Owners and their agents and representatives duly authorized in writing.

Section 6.11 **Compensation of the Trustee**. The City shall from time to time, subject to any agreement then in effect with the Trustee, pay the Trustee compensation for its services and reimburse the Trustee for all its advances and expenditures hereunder, including but not limited to advances to and fees and expenses of accountants, agents, appraisers, consultants, counsel or other experts employed by it in the exercise and performance of its rights and obligations hereunder. So long as any Certificate remains Outstanding, the Trustee shall not increase any fees and charges without the prior written consent of a City Representative.

Section 6.12 **Creation of the Project Trust; Assignment; Acceptance**. There is hereby created by the City, as trustor, a trust named the "Concourse Garage Project Trust" for the benefit of the holders from time to time of the Certificates. The Trustee is hereby appointed to act as trustee with respect to the Trust (the "Project Trustee"). The purpose of the Trust will be to (a) act as lessee under the Property Lease, (b) to act as sublessor under the Lease Agreement, and (c) to assign certain of its rights and interests under the Property Lease and the Lease Agreement to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Trust shall consist of all right, title and interest of the Trust in, to and under the Property Lease and the Lease Agreement and the proceeds thereof. The City, as trustor, and the Project Trustee, as trustee of the Trust, acknowledge and agree that the arrangement created by this Section 6.11 is intended to and shall constitute a grantor trust for federal income tax purposes. Neither the City, as trustor nor the Project Trustee, as trustee, shall pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Lease Agreement and this Trust Agreement. The Trust established by this Section 6.11 shall terminate when no Certificates remain Outstanding under this Trust Agreement.

The Project Trustee, as trustee of the Project Trust, for the sum of one dollar and other good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, transfers, and assigns to the Certificates Trustee, without recourse, all of its rights, title, and interest under the Property Lease and the Lease Agreement, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Lease Agreement, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee, as trustee of the Project Trust, has any right or claim under the Property Lease or the Lease Agreement, other than Additional Rental not payable to the Project Trustee, as trustee of the Project Trust, (iii) the right to take all actions and give all consents under the Property Lease and the Lease Agreement, (iv) any rights of access provided in the Property Lease and the Lease Agreement, and (v) any and all other rights and remedies of the Project Trustee, as trustee of the Project Trust, in the Property Lease as lessee and the Lease Agreement as lessor. The Certificates Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of this Trust Agreement, and all such rights and obligations so assigned shall be exercised by the Certificates Trustee as provided in this Trust Agreement.

ARTICLE VII

AMENDMENTS

Section 7.01 **Amendments to Trust Agreement**. This Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, this Trust Agreement and the rights and obligations provided hereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of a City Representative and the Trustee, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in this Trust Agreement, (b) in regard to questions arising under this Trust Agreement which the City and the Trustee may deem necessary or desirable and not inconsistent with this Trust Agreement and which shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates, (d) to qualify this Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, (e) to execute and deliver Additional Certificates in accordance with Section 7.04 hereof, or (f) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates then Outstanding; provided that the City and the Trustee may rely, in entering into any such amendment or modification hereof, upon the opinion of Independent Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification. No amendment shall impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. No such amendment or supplement shall (1) extend the payment date of any Certificate or reduce the rate of interest with respect thereto or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Owner of the Certificate so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment hereof or any supplement hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend this Section 7.01, without the prior written consent of the Owners of all Certificates then Outstanding.

Section 7.02 **Amendments to Property Lease or Lease Agreement**. The Property Lease or the Lease Agreement may be amended in writing by agreement between the parties thereto, with the written consent of the Trustee, but no such amendment shall become effective as to the Owners of the Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Property Lease, the Lease Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners, upon the written agreement between the respective parties thereto, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Property Lease or the Lease Agreement, (b) in regard to questions arising under the Property Lease or the Lease Agreement, which the City and the Trustee deem necessary or desirable and not inconsistent with the terms

thereof and which shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to modify or amend the description of the Leased Property to release from the Property Lease or the Lease Agreement any portion thereof or to add or substitute other property and/or improvements for the Leased Property or any portion thereof in accordance with Section 17 of the Lease Agreement, (d) to execute and deliver Additional Certificates in accordance with Section 7.04 hereof, or (e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the affected Owners; provided that the City and the Trustee may request and rely, in entering into any such amendment or modification thereof or giving its consent thereto, upon the opinion of Independent Counsel (which opinion may rely upon the certificates or opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

Notwithstanding anything herein to the contrary, no amendment to the Property Lease or the Lease Agreement for the purpose of adding, substituting or releasing property and/or improvements as set forth in clause (c) above shall be effective unless and until the City shall have satisfied the requirements set forth in Section 17 of the Lease Agreement.

Section 7.03 **Consent of Owners**. If the City should desire to obtain any consent in writing of Owners, the governing body of the City may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed to therein, shall be mailed by first-class mail, postage paid, to each Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent shall not affect the validity of the proceedings for the obtaining of such consent.

Any such written consent shall be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as hereinafter provided.

After the Owners of at least a majority of the aggregate principal amount of the Certificates then Outstanding shall have consented in writing, the governing body of the City shall adopt a resolution accepting such consents and such resolution shall constitute complete evidence of the consent of Owners under this Section.

Notice specifying the amendment that has received the consent of Owners as required by this Section shall be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each Owner at such Owner's address as it appears on the Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Section 7.04 **Additional Certificates**. The City may, from time to time, by a supplement or amendment to this Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Lease Agreement, on a parity with the Outstanding Certificates. The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement to this Trust Agreement, in substantially the form of Exhibit F hereto, providing for such series of Additional Certificates which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable with respect to the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under this Trust Agreement to provide for the payment of principal of, premium, if any, and interest with respect to such Additional Certificates, (ix) the Reserve Requirement immediately following the issuance of such Additional Certificates, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the City shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of amendments to the Lease Agreement and Property Lease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Property, and (ii) the insurance provisions of the Lease Agreement shall provide adequate coverage for any new Leased Property. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence shall be evidenced by a written certificate of a City Representative. If appropriate, such amendment may contain any modifications necessary to include additional real property, buildings or improvements in the Leased Property in connection with the issuance of such Additional Certificates.

(c) Evidence that any amendments to any Property Lease or Lease Agreement or executed in connection with such Additional Certificates have been duly recorded in the official records of the recorder of the City.

(d) An opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to this Trust Agreement and any amendments to the Lease Agreement and Property Lease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and this Trust Agreement and have been duly and validly authorized, executed and delivered by the City, as appropriate, and constitute the valid and binding obligations of the City, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional

Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest with respect to the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

ARTICLE VIII

COVENANTS

Section 8.01 **City to Perform Property Lease and Lease Agreement**. The City covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Property Lease and the Lease Agreement.

Section 8.02 **Compliance with Trust Agreement**. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereof, and the City will not suffer or permit any default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 8.03 **Accounting Records and Statements**. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental, and such accounting records shall be available for inspection by the City or any Owner or his agent duly authorized in writing with prior notice at reasonable hours and under reasonable conditions.

Section 8.04 **Access to Books and Records**. The Trustee shall, upon reasonable notice to the City and during regular business hours, have access to those books and records of the City that may be reasonably required by the Trustee to fulfill its duties and obligations hereunder.

Section 8.05 **General**. The City certifies, declares, recites and warrants that upon the date of execution and delivery of any of the Certificates, all conditions, acts and things required by law and this Trust Agreement to exist, to have happened and to have been performed precedent to the execution and delivery of the Lease Agreement do exist, have happened and have been performed in due time, form and manner as may be required by law, and that the City is now duly authorized to execute and deliver the Lease Agreement and the Certificates upon execution and delivery by the Trustee shall be entitled to the benefit, protection and security of the provisions of this Trust Agreement and shall comply in all respects with the applicable laws of the State.

Section 8.06 **Tax Matters.**

(a) General. The City hereby covenants with the holders of the Certificates that, notwithstanding any other provisions of this Trust Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced by the Certificates under Section 103 of the Code.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity

bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the City, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any Certificates are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Certificates as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the Certificates or any other funds of the City, or take or omit to take any other action, that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate; Survival of Tax Covenants. In furtherance of the foregoing tax covenants of this Section 8.06, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein, and the tax covenants in the Lease Agreement. These covenants shall survive payment in full or defeasance of the Certificates.

Section 8.07 **Performance**. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents to which it is a party.

Section 8.08 **Prosecution and Defense of Suits**. The City shall promptly take such action as may be necessary to cure any defect in the title to the Leased Property or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Section 8.09 **Further Assurances**. The City will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming to the Owners the rights and benefits provided herein.

Section 8.10 **Continuing Disclosure**. The City has covenanted under the Lease Agreement that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the

Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Certificateholder or Beneficial Owner may, take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

ARTICLE IX

EVENTS OF DEFAULT

Section 9.01 **Events of Default**. Any one or more of the following events are an "Event of Default" hereunder:

(a) the City defaults under Section 14(a)(i) of the Lease Agreement; or

(b) the City breaches any other provision of the Lease Agreement or fails to observe or perform any covenant, condition or agreement on its part to be observed or performed under this Trust Agreement, other than such failure as may constitute an Event of Default under clause (a) of this Section 9.01, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; provided, further, however, if the failure stated in the notice cannot be corrected within such 60-day period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Section 9.02 **Remedies on Default**. Upon the occurrence and continuance of any Event of Default specified in Section 9.01(a) of this Trust Agreement, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default hereunder, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding, shall proceed) to exercise the remedies set forth in Section 14(b) of the Lease Agreement to the extent an Event of Default has occurred under the Lease Agreement.

Section 9.03 **Notice of Events of Default**. If an Event of Default occurs hereunder, the Trustee shall give notice, at the expense of the City of such Event of Default to the Owners. Such notice shall state that an Event of Default has occurred and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. The notice provided for in this Section 9.03 shall be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

Section 9.04 **No Remedy Exclusive**. No remedy conferred upon or reserved to the Trustee under this Trust Agreement is intended to be exclusive and every such remedy shall be

cumulative and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in this Article IX or by law.

Section 9.05 **Waiver; No Additional Waiver Implied by One Waiver**. The Trustee may in its discretion waive any Event of Default and its consequences and shall also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest with respect to any Certificate shall be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the City and the Owners shall be restored to their former positions and rights hereunder, respectively, but such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.06 **Action by Owners**. If the Trustee fails to take any action to eliminate an Event of Default hereunder, the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding may institute suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under this Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or herein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in this Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Certificate or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Owner.

Section 9.07 **Application of Proceeds in Event of Default**. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and to pay all principal of and interest then due and unpaid with respect to all Outstanding Certificates, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under this Trust Agreement or Section 14(b) of the Lease Agreement shall be deposited by the Trustee into the Base Rental Fund and used first to pay interest with respect to the Certificates and then to pay the principal with respect to the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue payments of

principal, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under this Trust Agreement shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; and (ii) any remaining amounts shall be deposited into and retained in the Base Rental Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates thereof.

ARTICLE X

LIMITATION OF LIABILITY

Section 10.01 **No Liability of City for Trustee Performance**. The City shall not have any obligation or liability to the Owners with respect to the performance by the Trustee of any duty imposed upon it hereunder, including the distribution by the Trustee of principal and interest to the Owners.

Section 10.02 **No Liability of Trustee for Payment to Owners**. The Trustee shall have no obligation or liability to the Owners with respect to the payment of principal, premium, if any or interest with respect to the Certificates when due, other than from moneys available to it under this Trust Agreement, or with respect to the performance by the City of any covenant made by it in this Trust Agreement.

Section 10.03 **No Liability of City Except as Stated**. Except for the performance by the City of its obligations and duties as set forth in the Lease Agreement and this Trust Agreement, the City shall have no obligation or liability to the Trustee or the Owners.

Section 10.04 **Limited Liability of Trustee**. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment quality of the Certificates, for the sufficiency or collection of any Base Rental or for the actions or representations of the City. The Trustee shall have no obligation or liability to the City or to the Owners with respect to the failure or refusal of the City to perform any covenant or agreement made by it under this Trust Agreement, but shall be responsible solely for the performance of the duties expressly imposed upon it hereunder. The recitals of facts, covenants and agreements contained herein and in the Certificates shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility of the correctness of the same and makes no representation as to the validity or sufficiency of this Trust Agreement, the Lease Agreement or the Certificates, or as to the value of or title to the Leased Property, and shall not incur any responsibility in respect thereof, other than in connection with the duties or obligations expressly assigned to or imposed upon it.

Section 10.05 **Limitations of Rights**. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Trustee and the Owners any legal or equitable right, remedy or claim under or in

respect of this Trust Agreement or any covenant, condition or provision hereof and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Trustee and such Owners.

ARTICLE XI

MISCELLANEOUS

Section 11.01 **Defeasance**. (a) If all Certificates shall be paid and discharged as provided in this Section, then all obligations of the Trustee and the City under this Trust Agreement with respect to all Certificates shall cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to Sections 2.05 and 2.06 hereof, (ii) the obligation of the City to pay the amounts owing to the Trustee under Section 6.06, and (iii) the obligation of the City to comply with Section 4.16 and Section 8.06 hereof. Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative and any excess shall be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding under this Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations) which, together with the amounts then on deposit in the Base Rental Fund and the Reserve Fund and dedicated to this purpose is fully sufficient to pay when due all principal of, premium, if any, and interest due with respect thereto; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities in such amount as in the written report of a certified public accountant or other financial consultant will, together with the interest to accrue on such Defeasance Securities without the need for reinvestment, be fully sufficient to pay when due all principal, premium, if any, and interest with respect to such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment.

(b) Notwithstanding the foregoing, no deposit under clauses (a)(ii) or (a)(iii) above shall be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate shall have been previously given in accordance with Article V hereof to the Owners thereof or, in the event such Certificate is not by its terms subject to prepayment within the next

45 days of making the deposit under clauses (ii) and (iii) of subsection (a) above, a City Representative shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owners of such Certificate as soon as practicable stating that the deposit required by clauses (ii) and (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such prepayment date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the Certificate Payment Date of such Certificates.

(c) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

Section 11.02 **Records**. Until six years following the full payment of principal and interest due with respect to the Certificates, the Trustee shall keep complete and accurate records of all money received and disbursed by it under this Trust Agreement, which records shall be available for inspection by the City and by any Owner, or the agent of either of them, at any time during regular business hours and upon reasonable prior written notice.

Section 11.03 **Notices**. All notices under this Trust Agreement by any party shall be in writing (unless otherwise specified herein) and shall be sufficiently given and served upon the parties named below if delivered by hand directly to the offices named below or sent by United States first-class mail, postage prepaid, and addressed as follows:

If to the City:	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316 San Francisco, California 94102 Attention: City Controller
with copies to:	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place, Room 336 San Francisco, California 94102 Attention: Director of Public Finance Office of the City Attorney City Hall, 1 Dr. Carlton B. Goodlett Place, Room 234 San Francisco, California 94102 Attention: Special Projects/Finance Team
If to the Trustee:	U.S. Bank Trust Company, National Association [_____] [_____] [_____]

if to any Owner, to his or her address as indicated on the Certificate Register; or to such other address or addresses as any such person shall have designated to the others by notice given in accordance with the provisions of this Section.

Section 11.04 **Governing Law**. This Trust Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.05 **Partial Invalidity**. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Trust Agreement.

Section 11.06 **Binding Effect; Successors**. This Trust Agreement shall be binding upon and shall inure to the benefit of the parties hereto and the Owners and their respective successors. Whenever in this Trust Agreement any party is named or referred to, such reference shall be deemed to include such party's successors, and all covenants and agreements contained in this Trust Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors whether so expressed or not.

Section 11.07 **Destruction of Canceled Certificates**. Whenever in this Trust Agreement provision is made for the surrender to or cancellation of Certificates by the Trustee, the Trustee shall, upon such cancellation, destroy such Certificates and deliver a certificate evidencing such destruction to the City.

Section 11.08 **Excess Payments**. Notwithstanding anything to the contrary contained herein, if for any reason, including but not limited to damage, destruction, condemnation or disposition of the Leased Property, the City or the Trustee receive payments, proceeds or awards with respect to the Leased Property in excess of the amount necessary to make all of the payments required herein or amounts otherwise due to the City, or to provide in accordance with this Trust Agreement for all of such payments, such excess shall represent the City's equity interest in the Leased Property and shall be paid to the City at the written order of a City Representative.

Section 11.09 **Headings**. The headings or titles of the several Articles and Sections hereof, and the table of contents appended hereto, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. Unless the context requires otherwise, all references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement.

Section 11.10 **Assignment**. The services to be performed by the Trustee are personal in character and neither this Trust Agreement nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Trust Agreement.

Section 11.11 **City Contracting Provisions**. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit G to this Trust Agreement, which is incorporated in and made a part of this Trust Agreement by this reference.

Section 11.12 **Execution in Several Counterparts**. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement as of the date first above written.

CITY AND COUNTY OF SAN FRANCISCO

By:_____
Mayor

[SEAL]

ATTEST:

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM BY:

DAVID CHIU,
CITY ATTORNEY

By:_____
Deputy City Attorney

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

By:_____
Name: _____
Title: _____

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

CERTIFICATE OF PARTICIPATION
(CONCOURSE GARAGE PROJECT),
SERIES 2024

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

CITY AND COUNTY OF SAN FRANCISCO

Certificate Payment Date	Interest Rate	Original Certificate Date	CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the registered owner identified above or registered assigns, as the registered owner of this Certificate of Participation (the "Certificate"), is the owner of a proportionate interest in the right to receive Base Rental payments payable under a Lease Agreement (the "Lease Agreement"), dated as of [____] 1, 2024, by and between the City and County of San Francisco (the "City"), a political subdivision of the State of California (the "State"), as lessee, and U.S. Bank Trust Company, National Association, a national banking association, as trustee (the "Trustee").

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

Interest with respect to this Certificate shall accrue from the Certificate Payment Date next preceding the date of execution hereof, unless (i) this Certificate is executed after the close of business on the fifteenth (15th) day of the month next preceding any Payment Date (the "Record Date") and before the close of business on the immediately following Payment Date, in which event interest shall accrue with respect hereto from such Payment Date, or (ii) this Certificate is executed on or before the Record Date immediately preceding the first Payment

Date, in which event interest with respect hereto shall accrue from its Original Certificate Date set forth above; provided, however, that if at the time of execution of this Certificate, interest with respect hereto is in default, interest with respect hereto shall accrue from the Payment Date to which interest has previously been paid or made available for payment or from its Original Certificate Date if no interest has been paid or made available for payment.

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

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

This Certificate has been executed and delivered by the Trustee pursuant to the terms of the Trust Agreement, dated as of [____] 1, 2024 (the "Trust Agreement"), by and between the City and the Trustee. Under the Trust Agreement the Trustee is authorized to execute and deliver the Certificates of Participation (Concourse Garage Project), Series 2024 in the aggregate principal amount of $[PAR AMOUNT]. Reference is hereby made to the Lease Agreement and the Trust Agreement (copies of which are on file at the aforesaid offices of the Trustee) for a description of the terms on which the Certificates are delivered, and the rights thereunder of the registered owners of the Certificates and the rights, duties and immunities of the Trustee and the rights and obligations of the City under the Lease Agreement, to all of the provisions of which the registered owner of this Certificate, by acceptance hereof, assents and agrees.

The obligation of the City to pay Base Rental does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Base Rental does not constitute an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The City's obligation to pay Base Rental shall be abated during any period in which, by reason of material damage, destruction, condemnation, noncompletion or title defect, there is substantial interference with the City's right of use and occupancy of the Leased Property or any portion thereof. Failure of the City to pay Base Rental during any such period shall not constitute a default under the Lease Agreement, the Trust Agreement or this Certificate.

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

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

The Certificates are subject to mandatory prepayment prior to Certificate Payment Date in whole or in part on any date, at the prepayment prices set forth in the Trust Agreement, without premium, (i) upon the occurrence of damage to, or destruction or condemnation of, all or a portion of the Leased Property, from the proceeds of insurance or condemnation, and (ii) in the event of a title defect which results in abatement of Base Rental, from the title insurance proceeds.

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

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

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

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

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

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

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

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

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

DATE OF EXECUTION: [Closing Date]

U.S. Bank Trust Company, National Association, as Trustee

By:_____
Authorized Signatory

ABBREVIATIONS

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

TEN COM_as tenants in common

TEN ENT_as tenants by the entireties

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

UNIF GIFT MIN ACT _____ Custodian _____

(Cust) (Minor)

under Uniform Gifts to Minors Act _____

(State)

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

ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed: _____

Note: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without altercation or enlargement or any change whatsoever.	Note: Signature(s) must be guaranteed by an eligible guarantor.

EXHIBIT B

FORM OF WRITTEN REQUEST FOR PAYMENT OF COSTS OF ISSUANCE

U.S. Bank Trust Company, National Association
_____
_____
Attention: _____

$_____
Certificates of Participation
(Concourse Garage Project),
Series 2024

PAYMENT REQUEST NO. ___

Re: Disbursement from the Costs of Issuance Fund

Ladies and Gentlemen:

Pursuant to Section 4.02 of the Trust Agreement, dated as of [____] 1, 2024 between the City and County of San Francisco and you, as Trustee (the "Trust Agreement"), you are hereby instructed to pay to the person(s) listed on Schedule 1 attached hereto the amounts shown for the purposes indicated from the Costs of Issuance Fund established under the Trust Agreement. The City hereby certifies that each item in the amount set forth on Schedule 1 is a proper charge against the Costs of Issuance Fund and that each such item has not been paid.

Dated: _____ CITY AND COUNTY OF SAN FRANCISCO

By:_____
City Representative

SCHEDULE 1

Payee	Purpose	Amount

EXHIBIT C

FORM OF WRITTEN REQUEST FOR PAYMENT FROM PROJECT FUND

[Letterhead of City]

U.S. Bank Trust Company, National Association
_____
_____
Attention: _____

$_____
Certificates of Participation
(Concourse Garage Project),
Series 2024

DISBURSEMENT REQUEST NO.: _____

Re: Disbursements from the Project Fund

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement, by and between you and the undersigned, dated as of [____] 1, 2024 (the "Trust Agreement"), you are hereby authorized and requested to make immediate disbursement of funds held by you in the Project Fund for Project Costs (as defined in the Trust Agreement) pursuant to Section 4.03 of the Trust Agreement.

You are hereby requested to pay from the Project Fund established by the Trust Agreement, to the person, corporation or other entity designated below as Payee, the sum set forth below such designation, in payment of all (___) or a portion (___) (designated by the insertion of an "x" in the parentheses following the correct word or phrase) of the Project Costs described below.

Payee:

Address:

Amount:

Description of Project Costs or portion thereof accepted by the undersigned and authorized to be paid to the Payee:

The undersigned hereby certifies that (i) no part of the amount requested herein has been included in any other request previously filed with you; (ii) to the knowledge of the undersigned, there has not been filed with or served upon the City any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iii) the labor, services and/or materials covered hereby have been performed upon or furnished to the Leased Property and the payment requested herein is due and payable under a purchase order, contract or other authorization.

You are hereby requested to pay the sum set forth below as described above: Amount:

Dated: _____, 20___.

CITY AND COUNTY OF SAN FRANCISCO

By:_____
Project Manager
Department of Public Works

By:_____
Controller

By:_____
City Representative

EXHIBIT D

FORM OF WRITTEN CERTIFICATE OF SUBSTANTIAL PROJECT COMPLETION

[Letterhead of City]

U.S. Bank Trust Company, National Association
_____
_____
Attention: _____

$_____
Certificates of Participation
(Concourse Garage Project),
Series 2024

Re: Substantial Completion of the Project

Ladies and Gentlemen:

In accordance with the terms of a Trust Agreement, by and between you and the City and County of San Francisco, dated as of [____] 1, 2024 (the "Trust Agreement"), you are hereby notified that all Project Costs have been paid and that the Project is substantially completed. Capitalized terms used herein shall have the meanings assigned in the Trust Agreement.

Dated: _____, 20___.

CITY AND COUNTY OF SAN FRANCISCO

By:_____
City Representative

EXHIBIT E

FORM OF SUPPLEMENT TO TRUST AGREEMENT RELATING TO ADDITIONAL CERTIFICATES

SUPPLEMENT TO TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO,

and

_____, as Trustee,

Dated as of _____1, _____

Relating to:

$_____
CERTIFICATES OF PARTICIPATION
(_____),
Series 20__

SUPPLEMENT TO TRUST AGREEMENT

THIS SUPPLEMENT TO TRUST AGREEMENT, dated as of _____1, ____ (this "Supplement to Trust Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City") and _____, a _____, as Trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, the City desires to provide for _____ (as further defined herein, the "Project"), and the City is authorized pursuant to its charter and the laws of the State to enter into lease financing for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [____] 1, 2024 (the "Property Lease"), pursuant to which the City has leased certain real property (the "Site") and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to the Lease Agreement, dated as of [____] 1, 2024, by and between the City and the Trustee, the Trustee shall lease the Leased Property back to the City; and

WHEREAS, the Trustee is executing and delivering Additional Certificates pursuant to the Trust Agreement, dated [____] 1, 2024 between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

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

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings as set forth in the Trust Agreement.

Section 2. Authorization, Designation and Description of the Additional Certificates. The Trustee is hereby authorized and directed to execute and deliver the Additional Certificates to the original purchaser or purchasers thereof. The Additional Certificates shall be designated "Certificates of Participation, (_____), Series 20__" and shall be executed and delivered in the aggregate principal amount of [_____]. Each Additional Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Additional Certificates shall be dated _____. The Additional Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to Section 2.11 of the Trust Agreement.

The Additional Certificates shall be executed and delivered in the aggregate principal amount of [_____] and shall have Certificate Payment Dates of [____] 1 in the years and shall evidence and represent principal components in the amounts, with an interest

component with respect thereto calculated on the basis of a 360-day year composed of twelve 30-day months at the rates, as follows:

Certificate Payment Date (_____)	Principal Amount	Interest Rate

_____

† Term Certificates

The interest evidenced and represented by the Additional Certificates shall be payable on [____] 1 and [_____] 1 of each year, beginning on [_____] 1, 20__ and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and shall evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such date in each year.

The principal evidenced and represented by the Additional Certificates shall be payable on [_____] 1 of each year, beginning on [_____] 1, _____and continuing to and including [____] 1, 20__ and shall evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each [___] 1.

[The Certificates with Certificate Payment Dates of ____ 1, 20__, _____ 1, 20__ and _____ 1, __ shall be subject to mandatory sinking account installment prepayment as set forth in Section ___.]

Section 3. Application of Sale Proceeds of the Additional Certificates. Upon sale of the Additional Certificates, when the same shall be sold to the original purchaser thereof, an amount of proceeds from such sale equal to [$_____], shall be delivered to the Trustee and deposited by the Trustee as follows: ____

(1) The Trustee shall deposit into the Costs of Issuance Fund the sum of [$_____].

(2) The Trustee shall deposit into the Reserve Fund the sum of [$_____], representing the Reserve Requirement as of the Closing Date.

(3) The Trustee shall deposit into the Base Rental Fund the sum of [$_____], representing capitalized interest with respect to the Additional Certificates.

(4) The Trustee shall deposit into the Project Fund the remainder of said proceeds, being [$_____].

Section 4. Prepayment. The Additional Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment. The Additional Certificates with a Certificate Payment Date on or after [_____1, _____] are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after [_____ 1, _____], at the option of the City, in the event the City exercises its option under Section 7 of the Lease Agreement to prepay the principal component of the Base Rental payments, at the following prepayment prices (expressed as a percentage of the principal component to be prepaid), plus accrued interest to the date fixed for prepayment:

Prepayment Date	Prepayment Price

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

(b) Special Mandatory Prepayment. The Additional Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 hereof following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

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

Prepayment Date (_____ 1)	Sinking Account Installment Amount

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

Prepayment Date (_____ 1)	Sinking Account Installment Amount

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

Prepayment Date (_____ 1)	Sinking Account Installment Amount

Section 5. Amendments to Trust Agreement. The City and the Trustee hereby agree to amend the Trust Agreement as follows: [other amendments necessary or desirable in connection with Additional Certificates].

Section 6. 2024 Certificates Subject to the Trust Agreement. Except as in this Supplement to Trust Agreement expressly provided, every term and condition contained in the Trust Agreement shall apply to this Supplement to Trust Agreement and to the 2024 Certificates with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplement to Trust Agreement.

This Supplement to Trust Agreement and all the terms and provisions herein contained shall form part of the Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Trust Agreement. The Trust Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 7. Governing Law. This Supplemental to Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8. Counterparts. This Supplemental to Trust Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

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

_____, as Trustee

By:_____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

[SEAL]

ATTEST:

By:_____
Mayor

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By:_____
Deputy City Attorney

[ACKNOWLEDGED BY:

By:_____]

EXHIBIT F

CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS [TO BE UPDATED]

The following provisions shall apply to this Trust Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit G shall have the meanings given in this Trust Agreement.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination*. In the performance of this Trust Agreement, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts*. The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Trust Agreement.

(iii) *Nondiscrimination in Benefits*. The Trustee does not as of the date of this Trust Agreement and will not during the term of this Trust Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract*. As a condition to this Trust Agreement, the Trustee 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.

(v) *Incorporation of Administrative Code Provisions by Reference*. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Trust Agreement as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Trust Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Trust Agreement may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Trust Agreement, the person executing this Trust Agreement on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

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

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Trust Agreement.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Trust Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Trust Agreement and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Trust Agreement.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Trust Agreement, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Trust Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the

subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Trust Agreement comply with the requirements of the MCO. If any subcontractor under this Trust Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Trust Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Trust Agreement for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Trust Agreement is executed because the cumulative amount of agreements with the City for the fiscal year is less than $25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Trust Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed $25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Trust Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Trust Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Trust Agreement. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Trust Agreement for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may

pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Trust Agreement is executed because its amount is less than $25,000 ($50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than $75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Trust Agreement. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. If the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Trust Agreement, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Trust Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Trust Agreement, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under

the California Art Preservation Act (California Civil Code Sections 987 *et seq*.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq*.).

Any failure by the Trustee to comply with this Section of this Trust Agreement shall constitute a material breach of this Trust Agreement.

Section 13. Reserved.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at http://www.municode.com/Library/clientCodePage.aspx?clientID=4201. 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.

Section 15. Conflict of Interest. Through its execution of this Trust Agreement, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq*. and Section 1090 *et seq*. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Trust Agreement.

Section 16. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Trust Agreement as though fully set forth. This provision is a material term of this Trust Agreement. By entering into this Trust Agreement, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars ($100) liquidated damages for the first breach, two hundred dollars ($200) liquidated damages for the second breach in the same year, and five hundred dollars ($500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Trust Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 17. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Trust Agreement or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Trust Agreement. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 18. Earned Income Credit (EIC) Forms. Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Trust Agreement becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Trust Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Trust Agreement. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Trust Agreement or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Trust Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

When Recorded Mail To:

NORTON ROSE FULBRIGHT US LLP
555 South Flower Street, Suite 4100
Los Angeles, California 90071
Attention: Stepan A. Haytayan

LEASE AGREEMENT

By and Between

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

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of [_____] 1, 2024

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

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EXHIBIT D – City and County of San Francisco Mandatory Contracting Provisions D-1

LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of [_____] 1, 2024 (this "Lease Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized under the laws of the United States of America, solely in its capacity as trustee under the Project Trust (as defined in the hereinafter defined Trust Agreement), as lessor (the "Trustee");

W I T N E S S E T H:

WHEREAS, the City desires to provide for the financing of the acquisition of certain real property (including leasehold interests), additions and improvements of the Concourse Garage located at Golden Gate Park in the City and related property (as further defined herein, the "2024 Project"), to be used primarily for governmental purposes, and the City is authorized pursuant to its Charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [_____] 1, 2024 (the "Property Lease"), recorded concurrently herewith, pursuant to which the City has leased certain real property situated in the City and further described in Exhibit A hereto (the "Site") and all works, property, improvements, structures and fixtures now situated or hereafter constructed thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to this Lease Agreement, the Trustee shall lease the Leased Property back to the City; and

WHEREAS, the Trustee, as Certificates Trustee, is simultaneously executing and delivering certificates of participation pursuant to the Trust Agreement, dated the date hereof, between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section 1 shall, for all purposes of this Lease Agreement, have the meanings as set forth below. All other capitalized terms used herein without definition shall have the meanings as set forth in the Trust Agreement.

"2024 Project" has the meaning set forth in the Trust Agreement.

"Additional Rental" means the amounts specified as such in Section 3.3 hereof.

"Authority" means the Golden Gate Park Concourse Authority.

"Base Rental" means the amounts specified as such in Section 3.2 hereof, as such amounts may be adjusted from time to time in accordance with the terms hereof, but does not include Additional Rental.

"Business Day" means any day other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificates" means the Certificates of Participation (Concourse Garage Project), Series 2024 and any Additional Certificates authorized by and at any time Outstanding under and pursuant to the Trust Agreement.

"City" means the City and County of San Francisco, and its successors and assigns.

"City Representative" means the Mayor, the Controller, the Director of Public Finance, or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to this Lease Agreement, the Property Lease, the Trust Agreement and all other agreements related hereto and thereto.

"Commission" the Recreation and Park Commission.

"Director of Property" means the City's Director of Real Property or any successor officer of the City who performs substantially the same duties as the Director of Real Property performs as of the date of this Lease Agreement.

"Facilities" means the improvements, structures and fixtures related thereto and located on the Site together with all other works, property or structures located from time to time on the Site.

"Fiscal Year" means the fiscal year of the City, which at the date of this Lease Agreement is the period from July 1 to and including the following June 30.

"Hazardous Substances" means any and all substances, wastes, pollutants and contaminants now or hereafter included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or hereinafter enacted or amended.

"Leased Property" means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Lease Agreement.

"Permitted Encumbrances" has the meaning provided in Section 4.1 hereof.

"Pro Forma Policy" means the Pro Forma Title Insurance Policy prepared by the Title Company with respect to the Site.

"Project" means the 2024 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented from time to time in accordance with this Lease Agreement.

"Lease Agreement" means this Lease Agreement, including any amendments or supplements hereto made or entered into in accordance with the terms hereof and of the Trust Agreement.

"Lease Agreement Event of Default" means the occurrence and continuation of any event specified in Section 13(a) hereof.

"Lease Agreement Term" means the term of this Lease Agreement, as provided in Section 2 hereof.

"Lease Agreement Year" means the period from the Closing Date through April 1, 2025 and thereafter the period from each April 1 to and including the following April 1, during the Lease Agreement Term.

"Property Lease" means the Property Lease, dated as of the date hereof, by and between the City and the Trustee with respect to the Leased Property, including any amendments or supplements thereto.

"Rental Payments" means all Base Rental and Additional Rental payable hereunder.

"Risk Manager" means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of this Lease Agreement.

"Site" means the real property described in Exhibit A hereto, including any real property substituted therefor or added thereto pursuant to Section 16 hereof, but excluding real property that has been released or for which new real property has been substituted in accordance with Section 16.

"State" means the State of California.

"Stated Termination Date" has the meaning provided in Section 2 hereof.

"Title Company" means [_____].

"Trust Agreement" means that certain Trust Agreement, dated as of the date hereof, by and between the City and the Trustee, including any amendments or supplements thereto made or entered into in accordance with its terms.

"Trustee" means U.S. Bank Trust Company, National Association, as lessor hereunder and as trustee under the Project Trust (as defined in the Trust Agreement), or as Certificates Trustee under the Trust Agreement, as appropriate, or any successor appointed as therein provided.

Section 2. Lease Agreement Term; Transfer of Title to City.

The Trustee hereby leases the Leased Property to the City, and the City hereby leases the Leased Property from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided herein for the right to use and occupy the Leased Property, all on the terms and conditions set forth herein.

The term of this Lease Agreement shall begin on the Closing Date and end on the earliest of (a) April 1, 20[__] (the "Stated Termination Date") or (b) at such earlier date as the Certificates and all other amounts due hereunder and under the Trust Agreement shall have been paid or provision for their payment shall have been made in accordance with Section 11.01 of the Trust Agreement, or (c) the date of termination of this Lease Agreement due to casualty or condemnation in accordance with the terms of Section 5 or 6 hereof; provided, however, that to the extent permitted by law, if Base Rental has been abated in any year in accordance with Section 3.5 or has otherwise gone unpaid in whole or in part, the term of this Lease Agreement shall end on the earlier of April 1, 20[__] or the date on which no Certificates remain outstanding and all Additional Rental has been paid. The foregoing provisions may be modified in connection with Base Rental relating to Additional Certificates.

Upon the termination of this Lease Agreement (other than as provided in Section 6 or Section 13 hereof), all of the Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, shall be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of this Lease Agreement, free and clear of any interest of the Trustee. Upon such termination, the Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Section 3. Rent.

3.1 Rental Payments. The City hereby agrees, subject to the terms hereof, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Lease Agreement Year. In satisfaction of its obligations hereunder, the City shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner hereinafter set forth, such amounts constituting the aggregate rent payable under this Lease Agreement.

3.2 Base Rental. The City agrees to pay on the dates specified, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption "Base Rental" in Exhibit B hereto, which constitutes the principal and interest represented by the Certificates. The Base Rental consists of annual rental payments with principal and interest components. Base Rental is payable on each March 15 and September 15 prior to the Payment Date. The interest components of the Base Rental payments evidenced by the Certificates shall accrue and be calculated as provided in Section 2.02 of the Trust Agreement. The Base Rental may be supplemented pursuant to the terms of a supplement to this Lease Agreement in connection with Additional Certificates as provided in Section 7.04 of the Trust Agreement.

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

Notwithstanding any other provision of this Lease Agreement, the City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Base Rental Fund held under the Trust Agreement (or will be transferred from the Reserve Fund to the Base Rental Fund pursuant to Section 4.06(d) of the Trust Agreement) and are available for the payment of Base Rental evidenced by the Certificates or (ii) investment earnings on Permitted Investments (as defined in the Trust Agreement) will be deposited in or credited to the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

3.3 Additional Rental. In addition to the Base Rental set forth herein, the City agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Trustee or the Owners therein or in this Lease Agreement;

(ii) Insurance premiums, if any, on all insurance required under the provisions of Section 4.3 hereof;

(iii) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(iv) Amounts required to be deposited in the Rebate Fund;

(v) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of this Lease Agreement or any assignment hereof or of the Trust Agreement or any of the transactions contemplated hereby or thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to Section 4.1 hereof.

Amounts constituting Additional Rental payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

3.4 Consideration. The payments of Rental Payments under this Lease Agreement for each Fiscal Year or portion thereof during the Lease Agreement Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration for the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Property by the City for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of this Lease Agreement and to the general public by reason of the City's use of the Leased Property. Further, the parties hereto agree and acknowledge that supplements to this Lease Agreement which provide for new schedules of Base Rental may be entered into in connection with Additional Certificates and that the right to enter into such supplements is part of the consideration hereunder.

3.5 Budget. The City hereby covenants to take such action as may be necessary to include all Rental Payments due hereunder in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to Section 3.7 hereof. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and shall be construed as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

3.6 Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the City on the dates set forth in Section 3.1(a) hereof in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in Section 3.5 hereof, any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee hereunder, the City shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified hereunder shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of Sections 3.1(a) and 3.5 hereof. Amounts required to be deposited with the Trustee pursuant to this Section 3.6 on any date set forth in Section 3.1(a) shall be reduced as permitted in the last paragraph of Section 3.2.

3.7 Rental Abatement. Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of this Lease Agreement or to the Trustee for payments in respect of the Certificates, Rental Payments due hereunder shall be subject to abatement in accordance with

this Section 3.7 during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, noncompletion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City. The amount of annual rental abatement shall be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement shall continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, this Lease Agreement shall continue in full force and effect, except as set forth in Sections 5 and 6 hereof. Notwithstanding the foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to Section 17 hereof.

Section 4. Triple Net Lease. This Lease Agreement is intended to be a triple net lease. The City agrees that the Rental Payments provided for herein shall be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Section 5. Affirmative Covenants of the Trustee and the City. The Trustee and the City are entering into this Lease Agreement in consideration of, among other things, the following covenants:

(a) Replacement, Maintenance and Repairs. The City shall, at its own expense and as determined and specified by the Director of Property, during the Lease Agreement Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City shall replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to Section 3.7 hereof; provided, however, that the City shall not be required to repair or replace any such portion of the Leased Property pursuant to this Section 5 if there shall be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due hereunder and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to Section 3.1 hereof in any Lease Agreement Year following such partial prepayment are sufficient to pay in the then current and any future Lease Agreement Year the principal and interest with respect to all Certificates to remain Outstanding and all other amounts due hereunder and under the Trust Agreement, to the extent it is due and payable in such Lease Agreement Year.

The City shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Property. It is understood and agreed that in consideration of the payment by the City of

the Rental Payments herein provided for, the City is entitled to use and occupy the Leased Property and the Trustee shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Lease Agreement Term. The Trustee shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Property. The City hereby expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City shall keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable Pro Forma Policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to Section 16 hereof or any property is added to the Leased Property in connection with Additional Certificates pursuant to Section 7.04 of the Trust Agreement, including the exceptions listed on Schedule B to the applicable Pro Forma Policy, (iii) any supplements or amendments to the Lease Agreement or Property Lease which are entered into pursuant to the terms hereof and thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to Section 7.04 of the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with Section 4.4 and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property hereof (collectively, the "Permitted Encumbrances").

(b) Taxes, Other Governmental Charges and Utility Charges. The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City hereby agrees to pay during the Lease Agreement Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as this Lease Agreement is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the opinion of Independent Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the Leased Property or its rights or interests under this Lease Agreement or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under Section 3.1(b) hereof and shall be payable directly to the entity assessing such taxes or charges.

(c) Insurance. The City shall maintain or cause to be maintained, throughout the Lease Agreement Term:

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property. Such policy or policies shall provide coverage in the following minimum amount: $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. Such liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). Such insurance shall, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided, that no such earthquake insurance shall be required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to this Lease Agreement for a period of at least 24 months (such amount to be adjusted annually to reflect the actual scheduled Base Rental payments due under this Lease Agreement for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance shall not be subject to any deductible.

(v) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident.

All policies of insurance required under clauses (ii), (iii), (iv), (v) and (vi) above shall name the City and the Trustee as the insured parties and shall provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance may provide for a deductible amount that is commercially reasonable (as determined by the Risk Manager).

(d) All policies of insurance required by this Lease Agreement shall be in a form or forms certified by the Risk Manager (as provided below) to be in compliance with the requirements of this Lease Agreement. The City shall pay when due the premiums for all

insurance policies required by this Lease Agreement. All insurance under this Lease Agreement shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given 30 days' notice of cancellation (10 days if for nonpayment of premium) or intended non-renewal. All insurance required to be maintained pursuant to this Lease Agreement may be maintained either separately or as a part of any insurance carried by the City, but if maintained as part of other insurance carried by the City, shall specifically identify the Leased Property as being covered by such insurance, the amount of coverage applicable to the Leased Property, and the amount of the deductible applicable to the Leased Property. All insurance must be provided by a commercial insurer rated "A-, VIII" or higher by A.M. Best Company.

The City shall annually certify in writing to the Trustee that there is in effect the insurance or self-insurance required by this Section 4.3. The Risk Manager will also, at that time, file the written recommendation required by Section 4.3(a)(3) if no earthquake insurance has been obtained by the City, and shall also certify that the insurance the City has obtained pursuant to this Lease Agreement is in a form or forms which are in compliance with the requirements of this Lease Agreement.

Notwithstanding anything herein to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under this Lease Agreement, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; provided that (i) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager, and (ii) any reserves set aside for such program shall be certified at least annually as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any of the Mayor, Controller, Director of Property or Director of Public Finance of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by this Lease Agreement, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the Certificates. The Trustee shall not be responsible for the adequacy, sufficiency or coverage of the insurance or self-insurance required or allowed by this Section 4.3.

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

(f) Liens. The City promptly shall pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such

process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the City shall forthwith pay and discharge such judgment or lien, or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

(g) Laws and Ordinances. The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the City, and the Trustee shall not be liable therefor. The City agrees further to place, keep, use, maintain and operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

(h) Performance. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents (as defined in the Trust Agreement) to which it is a party.

(i) Tax Matters. When used in this Section, the following terms have the following meanings:

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds. The City and the Trustee intend to syndicate the beneficial ownership of this Lease Agreement through the issuance of certificates of participation, and agree that should such syndication occur in connection with the execution and delivery of this Lease Agreement, the City will treat all proceeds of such syndication as sale proceeds of this Lease Agreement.(within the meaning of said section 1.148-1(b)).

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

"*Nonpurpose Investment"* means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of this Lease Agreement are invested and which is not acquired to carry out the governmental purposes of this Lease Agreement.

"*Rebate Amount"* has the meaning set forth in Section 1.148-1(b) of the Regulations.

"*Regulations"* means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to this Lease Agreement. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

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

(2) this Lease Agreement has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Lease Agreement as Obligation of the City; Not to Cause Interest to Become Taxable. The City represents and warrants that it intends that for federal income tax purposes and for California personal income tax purposes this Lease Agreement is to be treated as an obligation of the City, that the interest components and principal components of each Base Rental is intended to be treated as the corresponding payment of interest on and principal of such obligation, respectively, and that the interest on such obligation is intended to be excluded pursuant to section 103(a) of the Code from the gross income of the Trustee or its assigns. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest component on any Base Rental to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest component of any Base Rental, the City shall comply with each of the specific covenants in this Section. The covenants set forth in this Section shall survive the defeasance under Section 11.01 of the Trust Agreement.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall at all times prior to the Stated Termination Date:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds (including property financed with Gross Proceeds of any obligations refunded by this Lease Agreement), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of any obligations refunded by this Lease Agreement), other than taxes of general application within the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the City shall not use Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the

foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not at any time prior to the Stated Termination Date directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, exceeds the Yield of this Lease Agreement.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the City shall not take or omit to take any action which would cause this Lease Agreement to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

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

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

(1) The City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the Stated Termination Date. However, to the extent permitted by law, the City may commingle Gross Proceeds with other money of the City, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The City shall maintain such calculations with its official transcript of proceedings relating to the execution and delivery of this Lease Agreement until six years after the final Computation Date.

(3) In order to assure the excludability of the interest components of the Base Rental from the gross income for federal income tax purposes, the City shall pay to the Trustee for deposit into the Rebate Fund established pursuant to the Trust Agreement an amount sufficient to permit the City timely to pay to the United States the amount that when added to the future value of previous rebate payments made hereunder equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the

Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the City shall not, at any time prior to the Stated Termination Date, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Section 4.7(h) because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of this Lease Agreement not been relevant to either party.

(j) Elections. The City hereby directs and authorizes the Controller and Director, Controller's Office of Public Finance, either or any combination of them, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

(j) Continuing Disclosure. The City hereby covenants and agrees that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; however, the Trustee may (and, at the request of the Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Outstanding Certificates, shall) or any holder or Beneficial Owner (as defined in the Continuing Disclosure Certificate), may take such actions as may be necessary and appropriate to cause the City to comply with the provisions of the Continuing Disclosure Certificate.

(k) Authority and Commission. Nothing in this Lease Agreement requires the continued existence, or limits the reorganization, of the Authority or the Commission. The obligations of the City hereunder may be satisfied by any authorized entity or officer of the City.

Section 6. Application of Insurance Proceeds.

6.1 General. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of the Leased Property by fire or other casualty or event, or proceeds of,

earthquake insurance, if such earthquake insurance is obtained, shall be paid to the Trustee for application in accordance with the provisions of Section 5.01(b) of the Trust Agreement. If there is an abatement of Rental Payments pursuant to Section 3.7 hereof as a result of such casualty or event, and the City elects pursuant to Section 5.01(a) of the Trust Agreement to apply such insurance proceeds and such other sums as are deposited pursuant to such section to the prepayment of Certificates rather than to the replacement or repair of the destroyed or damaged portion of the Leased Property, then this Lease Agreement shall terminate with respect to the destroyed or damaged portion of the Leased Property as of the later of the date of such election by the Trustee or the date the amount required by Section 4.09(a) of the Trust Agreement is received by the Trustee and in either case, after payment of any Additional Rental owed hereunder. If the City elects, pursuant to Section 4.09(a) of the Trust Agreement, to apply such proceeds to the repair or replacement of the portion of the Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of the Leased Property.

6.2 Title Insurance. Proceeds of title insurance received with respect to the Leased Property shall be paid to the Trustee for application in accordance with the provisions of Section 4.09 of the Trust Agreement.

Section 7. Eminent Domain.

7.1 Total Condemnation. If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under this Lease Agreement, shall be taken under the power of eminent domain, then this Lease Agreement shall terminate as of the later of the day possession shall be so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed hereunder. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.7 hereof, then Rental Payments shall again begin to accrue with respect thereto upon replacement of the Leased Property.

7.2 Partial Condemnation. If less than a substantial portion of the Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then this Lease Agreement shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by Section 3.7 hereof. The City and the Trustee hereby waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of Section 4.09 of the Trust Agreement. If the City elects, pursuant to Section 4.09(b) of the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to Section 3.5 hereof, then Rental Payments shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Section 8. Prepayment of Rental Payments.

(a) The City may prepay, or may cause to be prepaid, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the principal component of Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Certificates being prepaid in integral multiples of $5,000 so that the aggregate annual amount of Certificates maturing in each year after such prepayment date shall each be in an integral multiple of $5,000, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a certificate of a City Representative, provided that at the time of such apportionment, the City shall deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining Lease Agreement Term shall not exceed the fair rental value of the Leased Property during each subsequent Lease Agreement Year and that the resulting Base Rental payments are sufficient to pay the scheduled principal and interest components evidenced by the Certificates.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement. Such optional prepayment may be made (i) in whole in an amount not exceeding the amount of the Certificates then Outstanding (including accrued and unpaid interest and any premium on the Certificates) on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, or (ii) in part in amounts that result in the Certificates being prepaid in integral multiples of $5,000 on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to Section 5.01(a) of the Trust Agreement, from such Base Rental payments as are selected by the City as set forth in a request of the City in each case at a prepayment price equal to the sum of the Certificates to be prepaid plus accrued interest thereon to the date of prepayment plus any premium on the Certificates as set forth in the Trust Agreement. As a condition to prepaying Base Rental payments under this paragraph (b), the City shall first deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled principal and interest components evidenced by the Certificates. Base Rental Payments due hereunder may also be defeased in whole or in part pursuant to Section 11.01 of the Trust Agreement.

(c) The City may prepay, from any source of available funds, the Base Rental payments due on or after the Base Rental payment date immediately preceding the date on which the Certificates are subject to mandatory prepayment pursuant to Section 5.01(c) of the Trust Agreement.

(d) Before making any prepayment pursuant to this Lease Agreement, the City shall give written notice to the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made.

Section 9. Assignment. The City shall not sell, mortgage, pledge, assign or transfer any interest of the City in this Lease Agreement or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession shall be, and shall specifically state that it is, subject and subordinate in all respects to this Lease Agreement. Subject to the limitations set forth herein, the City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under this Lease Agreement, notwithstanding any granting of concessions which may be made. Nothing herein contained shall be construed to relieve the City of its primary obligation to pay Rental Payments as provided in this Lease Agreement or to relieve the City of any other obligations contained herein. In no event shall the City sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City hereby expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under this Lease Agreement, including the right to receive Base Rental Payments thereunder.

Section 10. Additions and Improvements; Removal. The City shall have the right during the Lease Agreement Term to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property shall remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed on any portion of the Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with this Lease Agreement.

Section 11. Right of Entry. Representatives of the Trustee shall, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under this Lease Agreement, or (iii) for all other lawful purposes.

Section 12. Quiet Enjoyment. The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements herein contained, shall, at all times during the Lease Agreement Term, peaceably and quietly have, hold, and enjoy the Leased Property.

Section 13. Indemnification and Hold Harmless Agreement. To the extent permitted by law, the City hereby agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without

limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates. The provisions of this Section 13 shall survive the termination of this Lease Agreement.

Section 14. Default by City.

(a) Events of Default. The following shall be events of default hereunder: (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to Section 3.1(a) hereof by the related Interest Payment Date; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to Section 3.1(b) hereof; or (iii) the City shall breach any other terms, covenants or conditions contained herein, in the Property Lease or in the Trust Agreement, and shall fail to remedy any such breach with all reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion; provided, however, that failure to comply with the Continuing Disclosure Certificate shall not constitute an event of default hereunder.

(b) Remedies on Default. The Trustee shall have the right, at its option, without any further demand or notice, so long as the Trustee does not terminate this Lease Agreement or the City's possession of the Leased Property, to enforce all of its rights and remedies under this Lease Agreement, including the right to recover Base Rental payments as they become due under this Lease Agreement pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided herein. The Trustee or any assignee of the rights of the Trustee hereunder shall not exercise its remedies hereunder so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax. Notwithstanding any other provision of this Lease Agreement or the Trust Agreement, in no event shall the Trustee have the right to accelerate the payment of any Base Rental hereunder.

Each and every remedy of the Trustee or any assignee of the rights of the Trustee hereunder is cumulative and the exercise of one remedy shall not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

All damages and other payments received by the Trustee pursuant to this Section 13 shall be applied in the manner set forth in Section 9.07 of the Trust Agreement.

Section 15. Waiver. The waiver by the Trustee of any breach by the City, and the waiver by the City of any breach by the Trustee of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

Section 16. Disclaimer of Warranties. NEITHER THE TRUSTEE NOR ANY PERSON ACTING ON ITS BEHALF HAS MADE OR MAKES ANY WARRANTY OR REPRESENTATION AS TO THE PAST, PRESENT OR FUTURE CONDITION OF THE LEASED PROPERTY NOT HEREIN EXPRESSED, AND THE CITY HAS ENTERED INTO THIS LEASE AGREEMENT WITHOUT REPRESENTATIONS OR WARRANTIES WITH RESPECT THERETO ON THE PART OF THE TRUSTEE, ITS AGENTS, REPRESENTATIVES OR EMPLOYEES.

Section 17. Addition, Release and Substitution. If no Lease Agreement Event of Default has occurred and is continuing hereunder, this Lease Agreement may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from this Lease Agreement any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City shall have delivered to the Trustee, and to the Rating Agencies all of the following:

(i) Executed copy of this Lease Agreement and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of this Lease Agreement and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Lease Agreement Year or in any subsequent Lease Agreement Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of Section 4.3(b) hereof, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, shall insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under this Lease Agreement;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under this Lease Agreement or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by this Lease Agreement, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of this Lease Agreement, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

Section 18. Notices. All notices, requests, demands and other communications under this Lease Agreement shall be in writing (unless otherwise specified herein) and shall be sufficiently given on the date of service if served personally upon the person to whom notice is to be given or if mailed by first class registered or certified mail, return receipt requested, postage prepaid, and properly addressed as follows:

if to the City: City and County of San Francisco
City Hall, 1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, California 94102
Attention: City Controller

with copies to:	City and County of San Francisco City Hall, 1 Dr. Carlton B. Goodlett Place, Room 336 San Francisco, California 94102 Attention: Director, Controller's Office of Public Finance Office of the City Attorney City Hall, 1 Dr. Carlton B. Goodlett Place, Room 234 San Francisco, California 94102 Attention: Special Projects/Finance Team
if to the Trustee:	U.S. Bank Trust Company, National Association [____] [____] [____]

or to such other address or addresses as any such person shall have designated to the others by notice given in accordance with the provisions of this Section 17.

Section 19. Validity. If any one or more of the terms, provisions, promises, covenants or conditions of this Lease Agreement shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, then each and all of the remaining terms, provisions, promises, covenants and conditions of this Lease Agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Trustee or by the City, or if for any reason it is held by such a court that any of the covenants and agreements of the City hereunder, including the covenant to pay Rental Payments hereunder, is unenforceable for the full term hereof, then and in such event for and in consideration of the right of the City to possess, occupy and use the Leased Property, which right in such event is hereby granted, this Lease Agreement shall thereupon become and shall be deemed to be a lease from year to year under which the annual Base Rental payments and Additional Rental payments herein specified will be paid by the City.

Section 20. Law Governing. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 21. Amendment. This Lease Agreement may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement. Any amendment in connection with the execution and delivery of Additional Certificates shall be substantially in the form of Exhibit C.

Section 22. Excess Payments. Notwithstanding anything contained herein or in the Trust Agreement to the contrary, if for any reason, including but not limited to damage, destruction, condemnation, transfer, sale or disposition, the City or the Trustee receives payments, proceeds or awards with respect to the Leased Property in excess of the amount

necessary to pay or prepay or provide in accordance with the Trust Agreement for the payment or prepayment of all of the Outstanding Certificates and all other amounts due hereunder and under the Trust Agreement, such excess shall represent the City's equity interest in the Leased Property and shall all be paid to the City.

Section 23. No Merger. If both the Trustee's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, this Lease Agreement and the estate created hereby shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and, unless and until the City so elects, the City shall continue to have and enjoy all of its rights and privileges as to the separate estates. The City hereby covenants not to permit or consent to any such merger as long as any Certificates are Outstanding.

Section 24. Further Assurances and Corrective Instruments. The City and the Trustee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased hereby or intended to be so leased or for carrying out the express intention of this Lease Agreement.

Section 25. Assignment. The services to be performed by the Trustee are personal in character and neither this Lease Agreement nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Lease Agreement.

Section 26. City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit D to this Lease Agreement, which is incorporated in and made a part of this Lease Agreement by this reference.

Section 27. Concerning the Trustee. The Trustee is executing this Lease Agreement solely in its capacity as trustee under the Trust (as defined in the Trust Agreement), subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, (ii) nothing contained herein shall be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Lease Agreement, and (iii) under no circumstances shall the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Lease Agreement or any documents related hereto except from amounts held under the Trust Agreement.

Section 28. Execution in Counterparts. This Lease Agreement may be executed in several counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement as of the date first above written.

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

By:_____
Authorized Officer

CITY AND COUNTY OF SAN FRANCISCO

By:_____
General Manager,
Recreation and Park Department

[SEAL]

ATTEST:

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By:_____
Deputy City Attorney

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

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

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

WITNESS my hand and official seal.

_____ [Seal]

CERTIFICATE OF ACCEPTANCE BY CITY AND COUNTY OF SAN FRANCISCO

This is to certify that the interest in real property conveyed by the Lease Agreement, dated [_____] 1, 2024, from U.S. Bank Trust Company, National Association to the City and County of San Francisco, a charter city and county and municipal corporation, is hereby accepted by the undersigned on behalf of the Board of Supervisors, and the grantee consents to recordation thereof.

Dated: [_____] 1, 2024

CITY AND COUNTY OF SAN FRANCISCO

By:_____
General Manager,
Recreation and Park Department

ATTEST:

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
CITY ATTORNEY

By:_____
Deputy City Attorney

EXHIBIT A

DESCRIPTION OF THE SITE

[____]

EXHIBIT B

BASE RENTAL PAYMENT SCHEDULE

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

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

* Base Rental is payable on each March 15 and September 15 prior to the Payment Date as provided under the Lease Agreement.

EXHIBIT C

FORM OF SUPPLEMENT TO THE LEASE AGREEMENT RELATING TO ADDITIONAL CERTIFICATES

RECORDING REQUESTED BY:

CITY AND COUNTY OF SAN FRANCISCO

When Recorded Mail To:

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

SUPPLEMENT TO LEASE AGREEMENT

By and Between

_____, as Trustee,
as Lessor

and

CITY AND COUNTY OF SAN FRANCISCO,
as Lessee

Dated as of _____1, 20___

NO DOCUMENTARY TRANSFER TAX DUE

This Lease Agreement is exempt pursuant to Section 27383 of the California Government Code.

THIS SUPPLEMENT TO LEASE AGREEMENT, dated as of _____1,_____ (this "Supplement to Lease Agreement"), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the "City"), as lessee, and _____, a _____, solely in its capacity as Trustee under the hereinafter defined Trust Agreement, as lessor (the "Trustee");

W I T N E S S E T H:

WHEREAS, the City desires to provide for _____(as further defined herein, the "Project"), to be used primarily for governmental purposes, and the City is authorized pursuant to its charter and the laws of the State to enter into a lease for such purpose; and

WHEREAS, the City and the Trustee have entered into a Property Lease, dated as of [_____] 1, 2024 (the "Property Lease"), recorded concurrently with the Lease Agreement, pursuant to which the City has leased certain real property (the "Site") and all works, property, improvements, structures and fixtures thereon (collectively, the "Leased Property") to the Trustee; and

WHEREAS, pursuant to the Lease Agreement, dated as of [_____] 1, 2024, by and between the City and the Trustee (the "Original Lease Agreement"), the Trustee shall lease the Leased Property back to the City;

WHEREAS, the City and Trustee are entering into this Supplement to Lease Agreement to provide for additional Base Rental in connection with the financing of the 20__ Project and certain related matters; and

WHEREAS, the Trustee is simultaneously executing and delivering an additional series of certificates of participation (the "Additional Certificates") pursuant to the Trust Agreement, dated [_____] 1, 2024, between the City and the Trustee (the "Trust Agreement"), to provide funds for the Project;

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

Section 1 Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth under the caption "Base Rental Schedule" in Exhibit A to this Supplement to Lease Agreement, which constitutes the principal and interest represented by the Additional Certificates. The Base Rental consists of annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City shall be paid in arrears and shall be due on [Payment Date 1] and [Payment Date 2] in each year and payable on each ____ 1 and _____ 1 during the Lease Agreement Term, commencing_____. Base Rental payable on _____ and the following _____ shall be for the period from [Payment Date 2] of the prior year to _____of the current year; provided, however, that the aggregate Base Rental payable on _____and _____shall be for the period from the Closing Date to _____.

Such Base Rental provided in Exhibit A is supplemented to the amounts due as provided in Section 3.1(a) and Exhibit A of the Original Lease Agreement.

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

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

Section 2 Amendments. The City and the Trustee hereby agree to amend the Lease Agreement as follows:

[other amendments necessary or desirable in connection with Additional Certificates]

Section 3 201_ Certificates Subject to the Lease Agreement. Except as in this Supplement to Lease Agreement expressly provided, every term and condition contained in the Lease Agreement shall apply to this Supplement to Lease Agreement and to the 201_ Certificates with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplement to Lease Agreement.

This Supplement to Lease Agreement and all the terms and provisions herein contained shall form part of the Lease Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Lease Agreement. The Lease Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

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

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

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

_____, as Trustee

By:_____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By:_____
General Manager,
Recreation and Park Department

[SEAL]

ATTEST:

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By:_____
Deputy City Attorney

EXHIBIT A

BASE RENTAL SCHEDULE

ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

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

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

WITNESS my hand and official seal.

_____ [Seal]

EXHIBIT D

CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS [TO BE UPDATED]

The following provisions shall apply to this Lease Agreement as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit D shall have the meanings given in this Lease Agreement.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination.* In the performance of this Lease Agreement, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) Subcontracts. The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease Agreement.

(iii) Nondiscrimination in Benefits. The Trustee does not as of the date of this Lease Agreement and will not during the term of this Lease Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) Condition to Contract. As a condition to this Lease Agreement, the Trustee 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.

(v) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Lease Agreement as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions

that apply to this Lease Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease Agreement may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Lease Agreement, the person executing this Lease Agreement on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

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

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Lease Agreement.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Lease Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease Agreement and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Lease Agreement.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Lease Agreement, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Lease Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Lease Agreement comply with the requirements of the MCO. If any subcontractor under this Lease Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the

MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Lease Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Lease Agreement for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Lease Agreement is executed because the cumulative amount of agreements with the City for the fiscal year is less than $25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Lease Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed $25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to

time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Lease Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Lease Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Lease Agreement. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Lease Agreement for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Lease Agreement is executed because its amount is less than $25,000 ($50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than $75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Lease Agreement. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Lease Agreement, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall

be a material breach of this Lease Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Lease Agreement, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq*.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq*.).

Any failure by the Trustee to comply with this section of this Lease Agreement shall constitute a material breach of this Lease Agreement.

Section 13. Reserved.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at http://www.municode.com/Library/clientCodePage.aspx?clientID=4201.

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.

Section 15. Conflict of Interest. Through its execution of this Lease Agreement, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq.* and Section 1090 *et seq*. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Lease Agreement.

Section 16. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease Agreement as though fully set forth. This provision is a material term of this Lease Agreement. By entering into this Lease Agreement, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars ($100) liquidated damages for the first breach, two hundred dollars ($200) liquidated damages for the second breach in the same year, and five hundred dollars ($500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Lease Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 17. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Lease Agreement or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Lease Agreement. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 18. Earned Income Credit (EIC) Forms. Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following

times: (i) within thirty days following the date on which this Lease Agreement becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Lease Agreement. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Lease Agreement. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Lease Agreement or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Lease Agreement shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

NOTICE OF INTENTION TO SELL

**$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024**

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

[_____], 2024*
at [8:30] a.m. (California time)

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

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

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

The Certificates will be offered for public sale subject to the terms and conditions of the Official Notice of Sale, dated on or around [_____], 2024 (the "*Official Notice of Sale*") relating to the Certificates. Additional information regarding the proposed sale of the Certificates, including copies of the Preliminary Official Statement for the Certificates, dated on or around [_____], 2024 (the "*Preliminary Official Statement*"), and the Official Notice of Sale, are expected to be available electronically at Ipreo Prospectus: www.i-dealprospectus.com on or around [_____], 2024, and may also be obtained from the City's Municipal Advisor: NHA Advisors, 4040 Civic Center Drive, Suite 200, San Rafael, California 94903, Telephone: (415) 785-2025 x2001, Attention: Craig Hill (email: Craig@NHAadvisors.com). Failure of any bidder to receive such notice shall not affect the legality of the sale.

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

Dated: [_____], 2024

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

_____

$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

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

SALE DATE:	[_____], 2024* (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)
TIME:	[8:30] a.m.,* California time
PLACE:	Controller's Office of Public Finance 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
DELIVERY DATE:	[_____], 2024*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

**$[PAR AMOUNT]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024**

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

Issue: The Certificates are described in the City's Preliminary Official Statement for the Certificates dated [_____], 2024 (the "**Preliminary Official Statement**").

Time: Bids for the Certificates must be received electronically by [8:30] a.m., California time, on [_____], 2024 (subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale).

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

THE RECEIPT OF BIDS ON [_____], 2024*, 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 OR ON BEHALF OF THE CITY THROUGH THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE - FORM OF BIDS; DELIVERY OF BIDS" BELOW) AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and 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:

* Preliminary, subject to change.

NHA Advisors, LLC
4040 Civic Center Drive, Suite 200
San Rafael, California 94903
Telephone: (415) 785-2025 x2001
Attention: Craig Hill (email: Craig@NHAadvisors.com)

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

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

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

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

TERMS RELATING TO THE CERTIFICATES

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

Issue. The Certificates will be executed and delivered as fully registered certificates without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the winning bidder of the Certificates (the "**Purchaser**"), all dated the date of delivery, which is expected to be [_____], 2024*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Certificates.

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

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

(i) each interest rate specified in any bid for the Certificates must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;

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

(iii) the minimum interest rate bid for any Certificate maturing on and after April 1, 20[__] shall be [__]% per annum;

(iv) no Certificate shall bear a zero rate of interest;

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

(vi) all Certificates maturing at any one time shall bear the same rate of interest.

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

Principal Payments of the Certificates. Principal shall be payable on April 1 of each year, commencing on April 1, 20[__], as shown below. Subject to the City's right to modify or amend this Official Notice of Sale (see "TERMS OF SALE - Right to Modify or Amend"), the final maturity of the Certificates shall be April 1, 20[__].

Bidders may provide that all the Certificates will be executed and delivered as serial Certificates or may provide that any one or more consecutive annual principal payments be combined into one or more term Certificates.

* Preliminary, subject to change.

The principal amount of the Certificates maturing or subject to sinking account installment payment in any year shall be in integral multiples of $5,000. For any term Certificates specified, the principal amount for a given year may be allocated only to a single term Certificate and must be part of an uninterrupted annual sequence from the first sinking account installment payment to the term Certificate maturity. The principal amount of the serial maturity or sinking fund account installment payment for the Certificates is shown below for information purposes only. **Bidders for the Certificates will provide bids for all of the Principal Amounts.**

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

Certificates of Participation
(Concourse Garage Project)
Series 2024

Maturity Date (April 1)	Principal Amount*
	$

TOTAL	$ [PAR AMOUNT]

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The City reserves the right to change the principal payment schedule set forth above for the Certificates after the determination of the**

* Preliminary, subject to change.

winning bidder, by adjusting one or more of the principal payments of the Certificates, in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment will not change the average per Certificate dollar amount of the underwriter's discount. Any such adjustment will be communicated to the winning bidder within 24 hours after receipt of such bid by the City. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no winning bid may be withdrawn.

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

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

Prepayment.[*]

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

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

Legal Opinions and Tax Matters. Upon delivery of the Certificates, Norton Rose Fulbright US LLP, Special Counsel to the City ("**Special Counsel**"), will deliver its legal opinion as to the validity and enforceability and tax status of the Certificates.

[*] Preliminary, subject to change.

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

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

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

Form of Bids; Delivery of Bids. Each bid for the Certificates must be: (1) for not less than all of the Certificates offered for sale; (2) unconditional; and (3) submitted via Parity, together with any adjustments made by the City pursuant hereto, by not later than [11:30] a.m., California time, on the sale date. Bids must conform to the procedures established by Parity. All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. The submission of a bid electronically via Parity shall constitute and be deemed the bidder's signature on the bid for the purchase of the Certificates.

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

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

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

If a bidder submits an electronic bid for the Certificates through Parity, such bidder thereby agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Certificates conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity and/or the News Services, will control; (2) each bidder

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

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

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

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

(2) Such Apparent Winning Bidder shall, promptly after such verbal award, but no later than one hour after the City has given notice of such verbal award, [fax or] email to the City (in c/o its Municipal Advisor 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 Municipal Advisor will [fax or] email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Certificates, after adjustments, if any, are made, as described under "TERMS RELATING TO THE CERTIFICATES – Adjustment of Principal Payments;" and

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

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Certificates and will be contractually bound by the terms of this Official Notice of Sale to purchase the Certificates, which contract shall consist of: (a) this Official

Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity; and (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATED TO THE CERTIFICATES - Adjustment of Principal Payment."

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

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

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

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

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

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest

thereon, will be credited against the purchase price of the Certificates purchased by the Purchaser at the time of delivery thereof.

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

Reoffering Prices, Establishment of Issue Price and Certificate.

(i) The winning bidder for the Certificates shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public of each maturity of the Certificates, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Special Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the Municipal Advisor, and any notice or report to be provided to the City may be provided to the Municipal Advisor.

(ii) The City intends that Sections 1.148-1(f)(2)(iii) and 1.148-1(f)(3)(i) (providing special rules establishing the issue price of the Certificates that are sold pursuant to a competitive sale, including defining the term "competitive sale") will apply to the initial sale of the Certificates (the "**competitive sale requirements**") because:

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

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids for the Certificates from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

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

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

(iii) If the competitive sale requirements are not satisfied for the Certificates, 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 any maturity of the Certificates as the issue price of that maturity (the "**hold-the-offering-price rule**"). The City shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. 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 shall apply to any maturity of the Certificates as to which less than 10% of the maturity was sold by the winning bidder (or another underwriter that is part of a syndicate or selling group created by the winning bidder) to the public at a single price. Bidders should prepare their bids on the assumption that, should the Certificates not satisfy the competitive sale requirements, the -hold-the-offering-price rule may apply to certain maturities of the Certificates. For purposes of this section, Certificates maturing on the same date but having different interest rates (and CUSIP numbers) shall be treated as separate maturities of the Certificates.

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

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

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

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

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

(vi) By submitting a bid for the Certificates, 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 Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail or other third party distribution agreement to 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.

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

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

(2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public),

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

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

(5) "sale date" means the date that the Certificates are awarded by the City to the winning bidder.

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

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

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

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

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

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

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

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Certificates will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about [_____], 2024*.** Payment for the Certificates (including any premium) must be made at the time of delivery in immediately available funds to the City Treasurer. Any expense for making payment in immediately available funds shall be borne by the applicable Purchaser. The City will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Certificates purchased, described in APPENDIX F – "PROPOSED FORM OF OPINION OF SPECIAL COUNSEL" to the Preliminary Official Statement.

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

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

* Preliminary; subject to change.

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

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

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

Official Statement. Copies of the Preliminary Official Statement with respect to the Certificates will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to the Municipal Advisor. (The contact information for the Municipal Advisor is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the City deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Certificates, the Purchaser of the Certificates will be furnished with a reasonable number of copies (not to exceed 20) of the final Official Statement, without charge, for distribution in connection with the resale of the Certificates. The Purchaser of the Certificates must notify the City in writing within two (2) days of the sale of the Certificates if the Purchaser requires additional copies of the final Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Certificates, the Purchaser of the Certificates agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements; (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board; and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the

Certificates to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases the Certificates.

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

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

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

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

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

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

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

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

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

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

Dated: [_____], 2024.

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
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024**

This certificate is being delivered by _____, the purchaser (the "Purchaser") in connection with the issuance of the City and County of San Francisco Certificates of Participation (Concourse Garage Project) Series 2024 (the "Certificates"). 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 Certificates to the Public by the Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Certificates used by the Purchaser in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by the Purchaser to purchase the Certificates.

(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 Certificates.

2. ***Defined Terms***.

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

(b) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates 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 Certificates. The Sale Date of the Certificates is _____, 2024.

(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 Certificates 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 Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

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

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By:_____

Name:_____

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF PURCHASER'S BID

(*Attached*)

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

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

$_____

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

The undersigned, on behalf of _____ (the "Purchaser"), hereby certifies as set forth below with respect to the execution and delivery of the above-captioned certificates of participation (the "Certificates") of the City and County of San Francisco (the "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 (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates 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 Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer that is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer that is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the- Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Certificates 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 Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates 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) *Related Party* means any entity if an Underwriter and the entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is _____, 2024.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates 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 Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

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

Dated: [ISSUE DATE]

[NAME OF PURCHASER]

By:_____

Name:_____

SCHEDULE A

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

(*Attached*)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

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

PRELIMINARY OFFICIAL STATEMENT DATED [_____], 2024

NEW ISSUE – BOOK-ENTRY ONLY

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

[In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. In the further opinion of Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference for purposes of the federal alternative minimum tax. Special Counsel are also of the opinion that interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX MATTERS" herein.] [To be updated by Special Counsel.]

$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

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

Dated: Date of Delivery **Due: [April] 1, as shown on the inside cover**

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

The Certificates captioned above (the "Certificates") will be sold to provide funds to: [(i) fund all or a portion of the acquisition by the City and County of San Francisco (the "City") of an underground parking facility in Golden Gate Park (as further described herein, the "Concourse Garage" or the "Facilities"), as further described herein, (ii) fund the 2024 Reserve Account established under the Trust Agreement for the Certificates, and (iii) pay [capitalized interest and] costs of execution and delivery of the Certificates.] See "THE FACILITIES AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates will be executed and delivered pursuant to a Trust Agreement, to be dated as of [Month] 1, 2024 (the "Trust Agreement"), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to a Lease Agreement to be dated as of [Month] 1, 2024 (the "Lease Agreement"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Lease Agreement to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the site and facilities subject to the Lease Agreement (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "CERTAIN RISK FACTORS – Abatement." The Leased Property will generally consist of the Facilities. See "THE FACILITIES AND THE LEASED PROPERTY" herein.

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates will be payable on [April] 1 and [October] 1 of each year, commencing [_____] 1, 2024. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

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

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

MATURITY SCHEDULE

(See inside cover)

BIDS FOR THE PURCHASE OF THE CERTIFICATES WILL BE RECEIVED BY THE CITY AT [8:00] A.M. PACIFIC TIME ON [_____], AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [_____], 2024, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE. See "SALE OF CERTIFICATES" herein.

The Certificates are offered when, as and if executed and received by the Purchaser, subject to the approval of the validity of the Lease Agreement by Norton Rose Fulbright US LLP, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about [_____], 2024.

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED [_____], 2024

Dated: [_____], 2024.

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

MATURITY SCHEDULE

(Base CUSIP[†] Number: _____)

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

$_____ ____% Term Certificates due [April] 1, 20___ Yield: _____% CUSIP[†] No. _____

[†] 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. The City does not assume responsibility for the accuracy of such numbers.

[INSERT PHOTOS HERE]

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

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

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

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

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

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

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

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

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*
Greg Wagner, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Special Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Municipal Advisor

NHA Advisors, LLC
San Francisco, California

Co-Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

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

Trustee

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

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OFFICIAL STATEMENT

**$[Par Amount]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024**

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

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its City and County of San Francisco Certificates of Participation (Concourse Garage Project), Series 2024 (the "Certificates"). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – [DEFINITIONS OF CERTAIN TERMS]." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

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

Overview of the Transaction. The City, exercising its Charter powers to convey and lease property for City purposes, will convey certain real property to U.S. Bank Trust Company, National Association, as trustee (the "Trustee") under the Property Lease to be dated as of [Month] 1, 2024 (the "Property Lease"), by and between the City, as lessor, and the Trustee, as lessee, at a nominal annual rent. The Trustee will lease the Leased Property (as defined hereafter) back to the City for the City's use under the Lease Agreement to be dated as of [Month] 1, 2024 (the "Lease Agreement"), by and between the Trustee and the City. The City will be obligated under the Lease Agreement to pay Base Rental payments and other payments to the Trustee each year during the term of the Lease Agreement (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the Certificates. The Trustee will create the "certificates of participation" in the Lease Agreement, representing proportional interests in the principal and interest components of Base Rental it will receive from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement to be dated as of [Month] 1, 2024, by and between the City and the Trustee (the "Trust Agreement"), which will govern the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City's direction, to [(i) fund all or a portion of the acquisition by the City of an underground parking facility in Golden Gate Park (as further described herein, the "Concourse Garage" or the "Facilities"), as further described herein, (ii) fund the 2024 Reserve Account established under the Trust Agreement for the Certificates, and (iii) pay [capitalized interest and] costs of execution and delivery of the Certificates.] The Leased Property will generally consist of the Facilities and the real property on which the Facilities are located (the "Site"). See "THE FACILITIES AND THE LEASED PROPERTY."

* Preliminary, subject to change.

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

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

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

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The California Department of Finance estimates the City's population as of January 1, 2024 was 843,071.

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

The City benefits from a highly skilled, educated and professional labor force. The City estimates the per-capita personal income of the City for fiscal year 2022-23 was $175,597. The San Francisco

Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 73 elementary schools, 13 middle schools, 17 high schools, 47 early education schools, and 3 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the UC College of the Law, San Francisco (formerly University of California Hastings College of the Law), the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "Airport Commission"), and is a principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's 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 CERTIFICATES

Authority for Execution and Delivery

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

The Trust Agreement, the Property Lease, and the Lease Agreement were approved by the Board of Supervisors of the City and the sale of the Certificates was authorized by Ordinance No. [____], adopted by the Board of Supervisors on [_____] and approved by the Mayor on [_____] (the "Ordinance"). The Ordinance authorized the execution and delivery of up to $[_____] aggregate principal amount of the Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under the Lease Agreement. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation.

Payment of Principal and Interest

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

Interest evidenced and represented by the Certificates will be payable on [April] 1 and [October] 1 of each year, commencing on [_____] 1, 202_ (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payment of interest evidenced and represented by the Certificates will be made on each Interest Payment Date. For as long as the Certificates are in book-entry form, principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates.

Form and Registration

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

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases

of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or after [April] 1, 20___ will be subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part on any date on or after [April] 1, 20___, at the option of the City, in the event the City exercises its option under the Lease Agreement to prepay the principal component of the Base Rental payments at a prepayment price equal to 100% of the principal component to be prepaid, plus accrued interest to the date fixed for prepayment, without premium.

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

Special Mandatory Prepayment

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

Mandatory Sinking Account Installment Prepayment

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

Sinking Account Payment Date ([April] 1)	Sinking Account Installment Amount

†

† Final Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all Outstanding Certificates are to be prepaid, the

City will direct the principal amount of each Certificate Payment Date to be prepaid. Within a maturity, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner that the Trustee in its sole discretion deems fair and appropriate. The Trustee will promptly notify the City in writing of the Certificates so selected for prepayment. Prepayment by lot will be in such manner as the Trustee determines; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 20 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

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

Neither failure to receive any prepayment notice nor any defect in such prepayment notice so given will affect the sufficiency of the proceedings for the prepayment of such Certificates. Each check or other transfer of funds issued by the Trustee for the purpose of prepaying Certificates will bear the CUSIP number identifying, by issue, series and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

Conditional Notice of Prepayment; Cancellation of Optional Prepayment

The City may direct the Trustee to provide a conditional notice of prepayment and such notice will specify its conditional status. Any notice of prepayment may be rescinded by notice delivered in the same manner as the original notice of prepayment.

Notwithstanding any other provision of the Trust Agreement, a conditional prepayment notice may be provided and if the Certificates are subject to optional prepayment and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, on or prior to such date, the prepayment will be canceled and in each and every such case, the City, the Trustee and the Owners, as the case may be, will be restored to their former positions and rights hereunder. Such a cancellation of a prepayment will not constitute a default under the Trust Agreement nor an event that with the passage of time or giving of notice or both will constitute a default under the

Trust Agreement and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee will send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein shall affect the sufficiency of such cancellation.

Partial Prepayment

Upon the surrender of any Certificate prepaid in part only, the Trustee will execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of Authorized Denominations equal to the unprepaid portion of the Certificates surrendered and of the same Certificate Payment Date and interest rate. Such partial prepayment will be valid upon payment of the amount required to be paid to such Owner, and the City and the Trustee will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Prepayment

If, on the designated prepayment date, money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, is held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice has been given as described above, then from and after such prepayment date, no additional interest will become due with respect to the Certificates to be prepaid, and such Certificate or portion thereof will no longer be deemed Outstanding under the provisions of the Trust Agreement; however, all money held by or on behalf of the Trustee for the prepayment of such Certificates will be held in trust for the account of the Owners thereof.

If the City acquires any Certificate by purchase or otherwise, such Certificate will no longer be deemed Outstanding and will be surrendered to the Trustee for cancellation.

Purchase of Certificates

Unless expressly provided in the Trust Agreement, money held in the Base Rental Fund may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayments from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City will not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related Certificates. All Certificates so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

THE FACILITIES AND THE LEASED PROPERTY

A portion of the proceeds of the Certificates will be used to [(i) fund all or a portion of the acquisition by the City of the Concourse Garage from the Music Concourse Community Partnership (the "MCCP") (including retiring a First Republic Bank loan to MCCP and a portion of the cost of MCCP indebtedness owed to the museums served by the Concourse Garage), (ii) fund the 2024 Reserve Account established under the Trust Agreement for the Certificates, and (iii) pay [capitalized interest and] costs of execution and delivery of the Certificates.]

Background. On June 2, 1998, the voters of the City adopted an ordinance entitled the Golden Gate Park Revitalization Act of 1998, codified as Appendix 41 of the Administrative Code of the City

("Proposition J"). The measure's principal purposes were to "(1) create a pedestrian oasis in the Music Concourse area of Golden Gate Park . . . and (2) take steps to reduce the impact of automobiles in the Park while still providing long-term assurance of safe, reliable, and convenient access for visits to the Park, including its cultural institutions." To those ends, Proposition J directed the City to create Golden Gate Park Concourse Authority (the "Authority") as a non-profit public benefit corporation. The Authority and the Recreation and Park Commission of the City (the "Commission") currently have jurisdiction of the Site where the Concourse Garage is located.

Under Proposition J, the Authority had broad authority to perform three tasks: (a) "locate, acquire, design, construct, reconstruct, operate, use, lease, maintain, and repair" an underground public parking facility within or near the Music Concourse (i.e., the Facilities); (b) "design, construct, reconstruct, landscape, improve, enhance, maintain, and repair" landscaping and other surface improvements to the Music Concourse; and (c) "study, recommend, and ... implement" traffic, transit, and infrastructure plans relating to the Music Concourse area and the remainder of Golden Gate Park. To safeguard the City's General Fund, Proposition J provided that the construction costs for the parking Facilities could be paid for only with philanthropic donations and not with public funds.

In November 2003, the Board of Supervisors of the City approved a 35-year ground lease (as amended, the "Ground Lease") between the City (acting through the Authority and the Commission), as landlord, and the MCCP, as tenant. Under the Ground Lease, the City leased the Site to MCCP for the purpose of financing and constructing the Concourse Garage. MCCP is a separate private entity, formed as a non-profit public benefit corporation in 2001, whose primary purpose was to finance, design, construct, and operate the Facilities. MCCP financed the construction of the Facilities through private pledges and gifts, and the issuance of certain bonds secured by a leasehold mortgage on the Facilities.

On November 8, 2022, the voters of the City adopted an ordinance known as Proposition N ("Proposition N"), which Proposition N amended Proposition J and permitted the City to acquire the Concourse Garage. The City plans to use the proceeds of the Certificates to fund the acquisition of the Concourse Garage.

[Updates since 2022 and/or description of acquisition arrangements with MCCP and museums?]

The Facilities and the Leased Property. The Facilities and the Site upon which the Facilities are situated (i.e. the Concourse Garage) will be the Leased Property that is the subject of the Lease Agreement. Under certain conditions, the Lease Agreement provides that the Leased Property may be amended, released or substituted from time to time. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Substitution, Release and Addition of Leased Property" and "CERTAIN RISK FACTORS – Release and Substitution of the Leased Property."

The Leased Property consists of two underground parking facilities connected by a tunnel and includes approximately 189,590 square feet of floor space and contains 800 parking stalls. The Concourse Garage is within walking distance of Golden Gate Park museums and attractions, including the de Young Museum, the California Academy of Sciences, the Japanese Tea Garden, the Conservatory of Flowers, the San Francisco Botanical Garden and the Music Concourse & Spreckels Band Shell. The Leased Property may be accessed by vehicles through the north entrance on 10th Avenue and Fulton Street, and the south entrance on Music Concourse Drive at Martin Luther King Drive inside Golden Gate Park. The legal address of the Leased Property is 50 Hagiwara Tea Garden Drive, San Francisco.

[Describe seismic safety design features and standards?]

In October 2022, the City retained Mateo Advisors LLC (the "Appraiser") to provide an appraisal of the Leased Property. The Appraiser prepared a report dated October 26, 2022 appraising the hypothetical fee simple interest in the Leased Property (the "Appraisal"). The Appraisal concludes that the Leased Property has a hypothetical (as-is) fee simple market value of approximately $36,150,000. The Appraisal is subject to certain assumptions and limiting conditions as set forth in the Appraisal. *The City does not make any representation as to the accuracy or completeness of the Appraisal.*

Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property, nor does the Lease Agreement allow the remedy of re-entering and re-letting of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds:	
Certificate Par Amount	
[Other Contributions]	
Plus: Original Issue Premium	
Less: Purchaser's Discount	
Total Sources	
Uses of Funds:	
Project Fund	
2024 Reserve Account	
Costs of Delivery[(1)]	
Total Uses	

[(1)] Includes amounts for legal fees, Trustee's fees and expenses, municipal advisory fees, rating agency fees, appraisals and property condition report fees, escrow and title insurance fees, rounding amounts, printing costs and any other delivery costs.

BASE RENTAL PAYMENT SCHEDULE

The Lease Agreement requires the City to make Base Rental payments in arrears on each [March] 15 and [September] 15, commencing [_____] 15, 202_, in payment for the use and occupancy of the Leased Property during the term of the Lease Agreement.

The Trust Agreement requires that Base Rental payments be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, [April] 1 and [October] 1 of each year, commencing on [_____] 1, 202_, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments with respect to the Certificates as the same become due and payable, as shown in the following table.

Payment Date	Principal	Interest	Debt Service	Fiscal Year Debt Service

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Lease Agreement so long as the City has use and occupancy of the Leased Property. The Lease Agreement will terminate on [_____], or upon early payment of all of the Certificates in accordance with the Trust Agreement, unless extended upon the event of abatement. See "Abatement of Base Rental Payments" below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding the Rebate Fund), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of the Leased Property), and eminent domain award not required to be used for repair or replacement of the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property, (iv) all amounts on hand from time to time in the Reserve Fund and the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to pay costs of execution and delivery of the Certificates); and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. The City will pay to the Trustee the Base Rental payments to the extent required under the Lease Agreement, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest represented by the Certificates.

While the City plans to use parking garage revenues generated by the Facilities to fund all or a portion of the City's obligation to pay Rental Payments on the Certificates, parking garage revenues will not be pledged to pay Rental Payments or debt service on the Certificates, and the City will covenant in the Lease Agreement that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City.

Covenant to Budget

The City will covenant in the Lease Agreement to take such action as may be necessary to include all Rental Payments as a separate line item in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Lease Agreement provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law and by the Charter, and it is the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

If the City defaults on its covenant in the Lease Agreement to include all Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may retain the Lease Agreement and hold the City liable for all Rental Payments on an annual basis.

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY

AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2023." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

The obligation of the City to make Base Rental or Additional Rental payments under the Lease Agreement will not constitute an obligation for which the City will be obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments will constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

Base Rental Payments; Additional Rental

Base Rental Payments. The City will covenant in the Lease Agreement that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee will be required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any Fiscal Year will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year.

Base Rental payments will be payable by the City on [_____] 15 and [_____] 15 of each year during the term of the Lease, commencing [_____] 15, 202_, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of or defects in the title to the Leased Property, Base Rental payments will be subject to abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments will be payable solely from annual appropriations of the City from any legally available funds of the City and the City will covenant in the Lease Agreement to take such action as may be necessary to include all Base Rental and Additional Rental due under the Lease Agreement as a separate line item in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Lease Agreement. See "Covenant to Budget" above.

Additional Rental. Additional Rental payments due from the City to the Trustee will include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement, deposits required to be made to the Rebate Fund, if any, and all other fees, costs and expenses of the Trustee incurred from time to time in administering the Lease Agreement and the Trust Agreement. The City will also be responsible for repair and maintenance of the Leased Property during the term of the Lease Agreement.

Abatement of Base Rental Payments

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Lease Agreement will be deposited into the Base Rental Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease Agreement will be absolute and unconditional without any right of set-off or counterclaim,

subject only to the provisions of the Lease Agreement regarding rental abatement. See "CERTAIN RISK FACTORS – Abatement."

Rental Payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction or condemnation and end when use and occupancy or possession is restored. In the event of abatement, the term of the Lease Agreement may be extended until all amounts due under the Lease Agreement and the Trust Agreement are fully paid, but in no event later than [_____]. See "CERTAIN RISK FACTORS – Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Lease Agreement will require the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Lease Agreement for a period of at least 24 months (such amount to be adjusted annually to reflect the actual scheduled Base Rental payments due under this Lease Agreement for the next succeeding 24 months). Pursuant to the Lease Agreement, rental interruption insurance is required to insure only against loss of rental income from the Leased Property caused by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by the City's all risk property insurance on the Leased Property. The City will not be required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Lease Agreement. The City does not anticipate obtaining earthquake or flood insurance on the Leased Property upon delivery of the Certificates at closing. See "Insurance with Respect to the Leased Property" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee will be required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates. The City will also be required by the Lease Agreement to use insurance proceeds to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay Certificates such that resulting Rental Payments would be sufficient to pay all amounts due under the Lease Agreement and the Trust Agreement with respect to the Certificates remaining Outstanding. See "Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease Agreement. See "Substitution, Release and Addition of Leased Property" below. In addition, the Trust Agreement will establish a Reserve Fund and will require the Trustee to use any moneys on deposit in the Reserve Fund to make payments of principal and interest represented by the Certificates. See "Reserve Fund" below.

Reserve Fund

[tbd if reserve fund established] The Trust Agreement establishes a Reserve Fund that will be held by the Trustee. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the 2024 Reserve Account of the Reserve Fund established under the Trust Agreement a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement. Amounts on deposit in the 2024 Reserve Account will only be available to support

payments with respect to the Certificates. The City may establish separate accounts in the Reserve Fund to support payments with respect to Additional Certificates. See "Additional Certificates" below.

The Reserve Requirement with respect to the Certificates means, as of any date of calculation, the least of (i) the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year, (ii) 125% of average annual principal and interest evidenced by the Certificates payable in each Fiscal Year between the date of calculation and the last Certificate Payment Date of the Certificates, or (iii) 10% of the stated principal amount evidenced by the Certificates (less original issue discount if in excess of two percent of the stated redemption price at maturity) originally executed and delivered. On the date of execution and delivery of the Certificates, the Reserve Requirement will be $[_____].]

The Reserve Fund is required to be maintained by the Trustee until the Base Rental is paid in full pursuant to the Lease Agreement or until there are no longer any Certificates Outstanding; provided, however, that the Reserve Fund may be used to pay a portion of the final Base Rental Payment.

A Credit Facility in the amount of the Reserve Requirement may be substituted by the City at any time for all or a portion of the funds held by the Trustee in the Reserve Fund, provided that (i) such substitution will not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City will notify each Rating Agency prior to making any such substitution), as confirmed by each applicable Rating Agency in writing, and (ii) the Trustee receives an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy, such Credit Facility will be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted will be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due with respect to the Certificates on such date, the Trustee will transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency. In the event of any such transfer, the Trustee will immediately provide written notice to the City of the amount and the date of such transfer.

Replacement, Maintenance and Repairs

The Lease Agreement will require the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Lease Agreement. The Trust Agreement will require that if the Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Lease Agreement, provided however that the City's obligation to repair or replace any portion of the Leased Property pursuant to the Lease Agreement will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Lease Agreement, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of the Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the Lease Agreement; provided, however, that the City will not be required to repair or replace any such portion of the Leased Property if there is applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all of the Certificates Outstanding and to pay all other amounts due

under the Lease Agreement and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Rental Payments payable in any Lease Agreement Year following such partial prepayment would be sufficient to pay in the then current and any future Lease Agreement Year the principal and interest evidenced and represented by all Certificates to remain Outstanding and all other amounts due under the Lease Agreement and under the Trust Agreement to the extent they are due and payable in such Lease Agreement Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT."

Insurance with Respect to the Leased Property

The Lease Agreement will require the City to maintain or cause to be maintained throughout the term of the Lease Agreement: (i) general liability insurance against damages occasioned by reason of construction of improvements to or operation of the Leased Property with minimum coverage limits of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with excess coverage or any other liability insurance coverage carried by the City; (ii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available), with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance; (iii) to the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided, that no such earthquake insurance shall be required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies; (iv) rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Lease Agreement for a period of at least 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under the Lease Agreement for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) and (iii) above (such insurance shall not be subject to any deductible); and (v) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident. All policies of insurance required under the Lease Agreement may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City will also be required under the Lease Agreement to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Certificates, showing a leasehold interest in the Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Certificates, and to deliver such policy to the Trustee promptly after the execution and delivery of the Certificates.

The City will not be required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Lease Agreement. The City does not anticipate obtaining earthquake or flood insurance on the Leased Property upon delivery of the Certificates at closing.

The City may self-insure against any of the risks required to be insured against in the Lease Agreement, except for self-insurance for rental interruption insurance and title insurance. [The City expects to self-insure for general liability insurance only.] *[City to confirm.]*

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Lease Agreement, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property, or (ii) the Lease Agreement will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of Certificates. If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the Lease Agreement will continue in full force and effect as to the remaining portions of the Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken or to the partial prepayment of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – [THE TRUST AGREEMENT – Repair or Replacement" and "– THE LEASE AGREEMENT – Eminent Domain."]

Substitution, Release, and Addition of Leased Property

If no Event of Default has occurred and is continuing under the Lease Agreement, the Lease Agreement may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Lease Agreement any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Lease Agreement. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – [THE LEASE AGREEMENT – Addition, Release and Substitution."]

Additional Certificates

The City may, from time to time, amend the Trust Agreement and the Lease Agreement to authorize one or more series of Additional Certificates secured by Base Rental Payments under the Lease Agreement on a parity with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Lease Agreement and Property Lease would be sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Property.

CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Certificates. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Certificates. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

New information about the City's finances and operations and events impacting the City, both expected and unexpected, is frequently available throughout the year and the City cannot predict with certainty the timing or ultimate outcome of such matters or the impact of such matters on the City's finances. Such information and events expected in the coming weeks include, but are not limited to, _____. See "City

Financial Challenges," below, and see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" attached hereto.

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental or Additional Rental payments will not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments will not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates will represent and will be payable solely from Base Rental payments to be made by the City pursuant to the Lease Agreement and amounts held in the Reserve Fund and the Base Rental Fund to be established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Lease Agreement, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

Further, while the City plans to use parking garage revenues generated by the Facilities to fund all or a portion of the City's obligation to pay Rental Payments on the Certificates, parking garage revenues will not be pledged to pay Rental Payments or debt service on the Certificates, and the City will covenant in the Lease Agreement that, so long as the City has the full use and occupancy of the Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Source of Payment."

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable for other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS." See also APPENDIX B: "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2023."

Abatement

The obligation of the City under the Lease Agreement to make Base Rental payments will be in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the City's obligation to make Base Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

In the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Lease Agreement Year during which such

interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Lease Agreement will be extended by the period during which the rental is abated under the Lease Agreement, except that such extension will in no event extend beyond [_____]. Reserve Fund moneys and the proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property." and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Property.

In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Fund after such payments may be less than the Reserve Fund Requirement. The City will not be required by the Lease Agreement or the Trust Agreement, and cannot be compelled, to replenish the Reserve Fund to the Reserve Fund Requirement.

It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease Agreement or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the Reserve Fund and any available insurance proceeds, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease Agreement or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Lease Agreement will not be an event of default under the Trust Agreement or the Lease Agreement.

Notwithstanding the provisions of the Lease Agreement and the Trust Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates.

Reserve Fund

At the time of delivery of the Certificates, proceeds of the Certificates in the amount of the Reserve Requirement will be deposited in the 2024 Reserve Account in the Reserve Fund. In the event of abatement or default, the amounts on deposit in the Reserve Fund may be significantly less than the amount of Base Rental due at the time of abatement or default. The City has no obligation to restore the Reserve Fund if it is used to pay Base Rental.

Limited Recourse on Default; No Acceleration or Re-letting

The Lease Agreement and the Trust Agreement will provide that, if there is a default by the City, the Trustee will have the right to enforce all of its rights and remedies under the Lease Agreement, including the right to recover Base Rental Payments as they become due. The Lease Agreement and the Trust Agreement provide that the Trustee will not exercise its remedies under the Lease Agreement so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax. Under the Lease Agreement, the Trustee does not have the right to accelerate the payment of any Base Rental. The Lease Agreement does not allow the remedy of re-entering and re-letting of the Leased Property. Any suit for money damages under the Lease Agreement would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "Enforcement of Remedies" below.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and will be subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

In the event of a default, there is no remedy of acceleration of any Base Rental payments under the Project Lease. Certificate owners would have to sue for payment of unpaid Base Rental in each rental period as and when it becomes due. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties in the State. See "Bankruptcy" herein and APPENDIX F: "PROPOSED FORM OF SPECIAL COUNSEL OPINION."

Release and Substitution of the Leased Property

The Lease Agreement will permit the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS – [THE LEASE AGREEMENT – Addition, Release and Substitution]." Although the Lease Agreement will require that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the Leased Property being replaced, it will not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates.

Bankruptcy

In addition to the limitations on remedies to be contained in the Trust Agreement and the Lease Agreement, the rights and remedies in the Trust Agreement and the Lease Agreement may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreement and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code), as amended (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if the Lease Agreement was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Lease Agreement despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease Agreement, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreement and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease Agreement (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

City Financial Challenges

The following discussion highlights certain challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see also, for example, "– Seismic Risks" and "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below).

The City continues to face material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to vacancies and declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospitality and convention industries (resulting in declines in hotel and sales taxes from pre-pandemic levels), 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." As further described in Appendix A hereto, these conditions have resulted in projected budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately $1.36 billion in fiscal year 2027-28.

[On April 1, 2024, the Controller issued its most recent report on the status of the City economy for March 2024. The Controller's report noted that the San Francisco Metropolitan Statistical Area lost 21,000 jobs between December and February; most of the loss is due to seasonal factors associated with temporary hiring for the holiday season. The unemployment rate increased to 3.8%, although it remains below the State and national levels. The continuing decline in tech employment comes as the Employment Development Department has published revised employment numbers for 2022 and 2023, which show the area's job losses – particularly in tech and other office industries – were greater than previously expected. The report also noted that Muni and BART ridership have increased in recent months but still remain significantly below pre-pandemic levels. Bridge crossings into and out of the City are also notably lower than pre-pandemic levels.]

The Controller's prior report on the City economy, released on February 2, 2024, indicated that there is little sign of recovery in the downtown office market; as office vacancies rose in the fourth quarter of 2023 to 32.1%, while rents and office attendance showed small declines. Additionally, the City's housing market also remains sluggish, with single-family home and condo prices increasing Statewide but falling in San Francisco. These factors negatively impact the City's revenues, including, but not limited to, transfer tax, business tax, sales tax and property tax revenues. 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" 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.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recently adopted 10-year capital plan sets forth approximately $41.4 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $6.7 billion in capital needs, including enhancements, are deferred from the capital plan's 10-year horizon.

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

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

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

Seismic Risks

General. The City is located in a seismically active region. An earthquake could damage the Leased Property and/or negatively impact the finances and operations of the City. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Property or any improvements thereon are damaged or destroyed by natural hazards such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake or flood insurance. The City does not anticipate obtaining earthquake or flood insurance on the Leased Property upon delivery of the Certificates at closing. There can be no assurance that the Leased Property would not be damaged in whole or in part by seismic activity.

Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several

highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which 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 Program (ESIP). The ESIP began in early 2012, evolving out of the key recommendations of the Community Action Plan for Seismic Safety ("CAPSS"), a 10-year-long study evaluating the seismic vulnerabilities the City faces. The CAPSS Study prepared by the Applied Technology Council looked at the impact of earthquakes to all of San Francisco's buildings and recommended a 30-year plan for action. As a result of this plan, the City mandated the retrofit of nearly 5,000 soft-story buildings (i.e., generally, structures with structural weakness due to large openings in their perimeter walls and due to a lack of interior partition walls at the ground level) housing over 111,000 residents by September 2021. As of March 4, 2024, 92% of these soft-story buildings have been brought into compliance. Currently, the City is implementing a façade ordinance requiring owners of 5-story or higher buildings to submit inspection reports every 10 years. The first set of inspections focus on pre-1910 buildings. Inspection reports for more recent buildings will be phased in over the next four years. Future tasks will address the seismic vulnerability of older nonductile concrete and concrete tilt-up buildings, which are at high risk of severe damage or collapse in an earthquake. This retrofit program is currently in development.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City (the "Port Commission") commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study 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. In November 2019, an exercise was conducted to test post-earthquake building safety inspection protocol and logistics. The City was the first jurisdiction to test this Statewide program. In consultation with the Structural Engineers Association of Northern California, Administrative Bulletin AB-111 – "Guidelines for Preparation of Geotechnical and Earthquake Ground Motion Reports for Foundation Design and Construction of Tall Buildings" was adopted on June 15, 2020, which presented requirements and guidelines for developing geotechnical site investigations and preparing geotechnical reports for the foundation design and construction of tall buildings in the City.

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

Climate Change, Risk of Sea Level Rise and Flooding Damage

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

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

Sea levels 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. For example, runways at SFO could largely be under water.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has partnered with the US Army Corps of Engineers to develop a plan to fortify the Port's Seawall from sea level rise. A draft plan estimates the total cost of that project at $13.5 billion; and, subject to US Army Corps of Engineers and Congressional

approval, 65% of the cost would be eligible for federal funding. The City is developing a financing strategy to provide the remaining funds, including using funding from the November 2018 approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the Seawall. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Authorized but Unissued City GO Bonds."

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Certificates. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the District Court to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. In November 2022, the defendants appealed the District Court's decision to the Ninth Circuit. In November 2023, the Ninth Circuit rejected defendants' appeal of remand to state court. The City's case has been remanded to and coordinated with similar municipal lawsuits and the State of California's lawsuit in San Francisco Superior Court. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

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

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

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

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats, including the outbreak and spread of COVID-19. The spread of COVID-19 and actions to contain its spread have had significant adverse health and financial impacts throughout the world, including the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY FINANCIAL CHALLENGES."

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

Other Events and Conditions

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

In 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 in numerous deaths and over $16 billion in property damage), the Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres), and the CZU Lightning Complex fires which burned across San Mateo and Santa Cruz County, California in mid-2020 (covering over 85,000 acres). Spurred by findings that certain of these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shutoffs during periods of extreme fire danger (i.e., high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. Parts of the City have experienced several blackout days as a result of PG&E's wildfire prevention strategy. Future shutoffs are expected to continue and it is uncertain what effects future PG&E shutoffs will have on the local economy.

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

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

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

Risk Management and Insurance

The Lease Agreement obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months' Base Rental payments. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Lease Agreement allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. The City expects to self-insure for all hazards for which the Lease Agreement permits self-insurance. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LEGAL MATTERS AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIIIB of the California Constitution."

Changes in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State or the Charter, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Articles XIIIC and XIIID of the California Constitution."

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City

and other counties in the State. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of the State of California Budget on Local Finances."

The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City's financial condition may also be impacted by the withholding of federal grants or other funds flowing to "sanctuary jurisdictions." The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations and the impact that such budgets will have on the City's finances and operations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Federal Government on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – GENERAL FUND REVENUES – OTHER CITY TAX REVENUES" and "– INVESTMENT OF CITY FUNDS."

Other

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

TAX MATTERS

Tax Exemption

[To be updated.] In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California ("Special Counsel"), based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the City with certain covenants in the Lease Agreement and the Trust Agreement, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest with respect to the Certificates to be included in gross income retroactive to the date of issuance of the Certificates.

In the further opinion of Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference for purposes of the alternative minimum tax.

Ownership of, or the accrual or receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Special Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Lease Agreement and Trust Agreement or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Special Counsel expresses no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Special Counsel, or in reliance upon the advice of counsel other than Special Counsel with respect to the exclusion from gross income of the interest with respect to the Certificates for federal income tax purposes.

Special Counsel's opinion is not a guarantee of a result, but represents its legal judgment based on its review of existing statutes, regulations, rulings and judicial decisions and the representations and covenants of the City. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Special Counsel, and Special Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest with respect to the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future examination of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the examination, regardless of its ultimate outcome.

Original Issue Discount

The issue price of certain maturities of the Certificates (the "Discount Certificates") may be less than the principal amount of those maturities. In general, the issue price of a maturity of the Certificates is the first price at which a substantial amount of Certificates of that maturity was sold to the public (which excludes sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The excess of the principal amount of a Discount Certificate over its issue price (which may differ from its initial public offering price) is original issue discount. Original issue discount on a Discount Certificate accrues over the term of such Discount Certificate at a constant yield; and, within each semiannual period, original issue discount accrues on a ratable daily basis. To the extent it has accrued, original issue discount on a Discount Certificate is treated as interest excludable from gross income for federal income tax purposes subject to the conditions and limitations described above. Also, the amount of original issue discount that accrues on a Discount Certificate in each year is not an item of tax preference for purposes of the federal alternative minimum tax. Such accrued original issue discount, however, is taken into account in determining the distribution requirements of certain regulated investment companies and may also have other collateral federal income tax consequences. Consequently, owners of Discount Certificates should be aware that the accrual

of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Certificate increases the owner's adjusted basis in such Discount Certificate. This will affect the amount of taxable gain or loss realized by the owner of the Discount Certificate upon the redemption, prepayment, sale or other disposition of such Discount Certificate. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, prepayment, sale or other disposition of a Discount Certificate that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Certificates, other federal income tax consequences of owning and disposing of the Discount Certificates and any state and local tax consequences of owning and disposing of the Discount Certificates.

Premium

Certain of the Certificates may be purchased in the initial offering for an amount in excess of their principal amount (the "Premium Certificates"). The excess of the tax basis of a purchaser of a Premium Certificate (other than a purchaser who holds a Premium Certificate as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Certificate is "certificate premium." Certificate premium is amortized for federal income tax purposes over the term of a Premium Certificate based on the purchaser's yield to maturity in the Premium Certificate, except that in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that result in the lowest yield on such Premium Certificate. A purchaser of a Premium Certificate is required to decrease his or her adjusted basis in such Premium Certificate by the amount of Certificate premium attributable to each taxable year in which such purchaser holds such Premium Certificate. The amount of certificate premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of certificate premium attributable to each taxable year and the effect of certificate premium on the sale or other disposition of a Premium Certificate, and with respect to the state and local tax consequences of owning and disposing of a Premium Certificate.

Information Reporting and Backup Withholding

Interest paid with respect to the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest with respect to the Certificates to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the opinion of Special Counsel, under existing law, interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

Future Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Special Counsel expresses no opinion.

A copy of the proposed form of the approving opinion of Special Counsel is attached hereto as APPENDIX F.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the legal opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Special Counsel. The signed legal opinions of Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinion of Special Counsel is set forth in APPENDIX F hereto. The legal opinions that are delivered may vary in text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to its date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Co-Disclosure Counsel.

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

may rely on such letter or Co-Disclosure Counsel's having acted in the role of co-disclosure counsel to the City.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

PROFESSIONALS INVOLVED IN THE OFFERING

NHA Advisors, LLC has served as Municipal Advisor to the City with respect to the sale of the Certificates. The Municipal Advisor has assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Municipal Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, [Co-]Special Counsel and Co-Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 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") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

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

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

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Lease Agreement, the Property Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith.

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 Certificates. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Certificates. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. See "CONTINUING DISCLOSURE" herein.

SALE OF CERTIFICATES

The Certificates are scheduled to be sold at competitive bid on [_____], 2024, as provided in the Official Notice of Sale, dated [_____], 2024 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Certificates would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Special Counsel and certain other conditions. The Purchaser will represent to the City that the Certificates have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

MISCELLANEOUS

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

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

CITY AND COUNTY OF SAN FRANCISCO

By:_____

Greg Wagner
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

APPENDIX B

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

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

[Use file sent separately.]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement (the "Trust Agreement"), dated as of [Month] 1, 2024, between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trust Agreement"). The City covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the Fiscal Year ending June 30, 2024 (which report 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 will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

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

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

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

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

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

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

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

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued lease obligations and certificates of participation payable from the general fund of the City.

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

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice

of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

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

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of

occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: _____, 2024.

CITY AND COUNTY OF SAN FRANCISCO

_____
Greg Wagner
Controller

Approved as to form:

DAVID CHIU
CITY ATTORNEY

By: _____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION (CONCOURSE GARAGE PROJECT) SERIES 2024
Date of Delivery:	_____, 2024

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY AND COUNTY OF SAN FRANCISCO

By: _____[to be signed only if filed]_____
Title: _____

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the certificates (as used in this Section, 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, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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 and www.dtc.org.

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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the 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 the City or the paying agent or bond trustee, 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 nor its nominee, the paying agent or bond trustee, or the City, 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 the City or the paying agent or

bond trustee, 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 the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City 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.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF SPECIAL COUNSEL OPINION

APPENDIX G

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

3751939 046501 OS

NORTON ROSE FULBRIGHT US LLP
555 South Flower Street, Suite 4100
Los Angeles, California 90071
Attention: Stepan A. Haytayan

PROPERTY LEASE

By and Between the

CITY AND COUNTY OF SAN FRANCISCO,
as Lessor

and

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

Dated as of [_____] 1, 2024

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

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Exhibit A – Description of the Site A-1
Exhibit B – City and County of San Francisco Mandatory Contracting Provisions B-1

PROPERTY LEASE

This PROPERTY LEASE (this "Property Lease") is made and entered into as of [_____] 1, 2024, by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under and by virtue of its charter and the Constitution and laws of the State of California (the "City"), as lessor, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, solely in its capacity as trustee under the Trust (as defined in the hereinafter defined Trust Agreement), as lessee (the "Trustee").

W I T N E S S E T H:

That in consideration of the mutual promises and agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in that certain Lease Agreement, dated as of [_____] 1, 2024 (the "Lease Agreement"), by and between the Trustee and the City, and that certain Trust Agreement, dated as of [_____] 1, 2024 (the "Trust Agreement"), by and between the City and the Trustee.

Section 2. Lease of Leased Property. The City hereby leases to the Trustee the real property located in Golden Gate Park, San Francisco, California and described in Exhibit A attached hereto (the "Site"), together with all buildings and improvements now situated or hereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms hereof and (ii) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the Site (as defined in the Lease Agreement) and infrastructure and utilities as the Trustee may require in order to fulfill its obligations hereunder and under the Lease Agreement.

Section 3. Ownership. The City represents that it is the sole owner of and holds (or with respect to uncompleted improvements or portions thereof, will hold, when completed) fee title to the Leased Property, subject to Permitted Encumbrances.

Section 4. Term.

(a) This Property Lease shall commence on the earlier of the Closing Date or the date of recordation hereof in the official records of the City and County of San Francisco and end on the date of the termination of the Lease Agreement.

(b) Upon termination of this Property Lease, all of the Trustee's interest in the Leased Property shall vest with the City.

Section 5. Rent. The Trustee shall pay to the City an advance rent in the amount of the net proceeds of the 2024 Certificates as prepaid rental and rent of $1.00 per year as consideration for this Property Lease over its term.

Section 6. Purpose. The Trustee shall use the Leased Property only for the purposes described in the Lease Agreement and for such other purposes as may be incidental thereto.

Section 7. Assignment and Lease Agreement. As long as the Lease Agreement is in effect and there has been no event of default under the Lease Agreement, the Trustee shall not assign, mortgage, hypothecate or otherwise encumber this Property Lease or any rights hereunder or the leasehold created hereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City hereby expressly approves and consents to the Lease Agreement and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Lease Agreement, including the right to receive Base Rental Payments payable thereunder.

Section 8. Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time.

Section 9. Expiration. The Trustee agrees, upon the expiration of this Property Lease, to quit and surrender the Leased Property together with all improvements thereon; it being the understanding of the parties hereto that upon termination of this Property Lease title to the Leased Property shall vest in the City free and clear of any interest of the Trustee or any assignee of the Trustee.

Section 10. Quiet Enjoyment. The Trustee at all times during the term of this Property Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property.

Section 11. Taxes. The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Leased Property and all buildings and improvements thereon.

Section 12. Eminent Domain. If the whole or any part of the Leased Property shall be taken under the power of eminent domain, the interest of the Trustee shall be recognized and is hereby determined to be the aggregate amount of unpaid Base Rental payments under the Lease Agreement through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, as assignee of the interest of the Trustee hereunder, in accordance with the terms of the Lease Agreement and the Trust Agreement.

Section 13. Default. In the event that the Trustee or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of this Property Lease, the City may exercise any and all remedies granted by law, except that no merger of this Property Lease and of the Lease Agreement shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate this Property Lease by reason of any default on the part of the Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Trustee or any successor in interest to the Trustee shall duly perform the terms and conditions of this Property Lease, such assignee shall be deemed to be and shall become the tenant of the City hereunder and shall be entitled to all of the rights and privileges granted under any such assignment.

Section 14. Notices. All notices, statements, demands, requests, consents, approvals, authorizations, offers, agreements, appointments or designations hereunder by either party to the other shall be in writing and shall be sufficiently given and served upon the other party, if delivered by hand directly to the offices named below or sent by first-class mail, postage prepaid, overnight courier or telecopier, addressed as follows:

If to the City:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102
Attn: City Controller

with a copy to:

City and County of San Francisco
City Hall
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, CA 94102
Attn: Director of Public Finance

and

Office of the City Attorney
City Hall
1 Dr. Carlton B. Goodlett Place, Room 234
San Francisco, CA 94102
Attn: Special Projects/Finance Team

If to the Trustee:

[Trustee]
[___]
[___]
Attn: [___]

or to such other address or addresses as such party may designate to the other by notice given in accordance with the provisions of this Section 14.

Section 15. Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, member, officer or other agent of the City shall be personally liable to the Trustee, its successors and assigns, in the event of any default or breach by the City or for any amount which may become due to the Trustee, its successors and assigns, or for any obligation of the City hereunder.

Section 16. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants or conditions of this Property Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of this Property Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 17. Governing Law. This Property Lease shall be governed by and construed in accordance with the laws of the State of California.

Section 18. Amendment. This Property Lease may be amended only in accordance with and as permitted by the terms of Section 7.02 of the Trust Agreement and Section 20 of the Lease Agreement.

Section 19. Execution in Counterparts. This Property Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 20. Assignment. The services to be performed by the Trustee are personal in character and neither this Property Lease nor any duties or obligations hereunder may be assigned or delegated by the Trustee unless first approved by the City by written instrument executed and approved in the same manner as this Property Lease.

Section 21. City Contracting Provisions. The Trustee covenants and agrees to comply with the provisions set forth in Exhibit B to this Property Lease, which is incorporated in and made a part of this Property Lease by this reference.

Section 22. Concerning the Trustee. The Trustee is executing this Property Lease solely in its capacity as trustee under the Trust (as defined in the Trust Agreement), subject to the protections, indemnities and limitations from liability afforded to the Trustee thereunder, nothing contained herein shall be construed as creating any liability on the Trustee, individually or personally, to perform any covenant, duty or obligation of any kind contained in this Property Lease, and under no circumstances shall the Trustee be liable for the payment of any fees, costs, indebtedness or expenses related to or arising from this Property Lease or any documents related hereto except from amounts held under the Trust Agreement.

Section 23. Authority and Commission. Nothing in this Property Lease requires the continued existence, or limits the reorganization, of the Authority or the Commission. The obligations of the City hereunder may be satisfied by any authorized entity or officer of the City.

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

CITY AND COUNTY OF SAN FRANCISCO

By:_____
General Manager,
Recreation and Park Department

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION

[SEAL]

By: _____
Title: _____
Name: _____

Attest:

By:_____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By:_____
Deputy City Attorney

ACKNOWLEDGMENT

A NOTARY PUBLIC OR OTHER OFFICER COMPLETING THIS CERTIFICATE VERIFIES ONLY THE IDENTITY OF THE INDIVIDUAL WHO SIGNED THE DOCUMENT TO WHICH THIS CERTIFICATE IS ATTACHED, AND NOT THE TRUTHFULNESS, ACCURACY, OR VALIDITY OF THAT DOCUMENT.

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

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

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

WITNESS my hand and official seal.

_____ [Seal]

EXHIBIT A

DESCRIPTION OF THE SITE

[____]

EXHIBIT B

CITY AND COUNTY OF SAN FRANCISCO
MANDATORY CONTRACTING PROVISIONS [TO BE UPDATED]

The following provisions shall apply to this Property Lease as if set forth in the body thereof. Capitalized terms used but not defined in this Exhibit B shall have the meanings given in this Property Lease.

Section 1. Nondiscrimination; Penalties.

(i) *Nondiscrimination*. In the performance of this Property Lease, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(ii) *Subcontracts*. The Trustee shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the City) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Property Lease.

(iii) *Nondiscrimination in Benefits*. The Trustee does not as of the date of this Property Lease and will not during the term of this Property Lease, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(iv) *Condition to Contract*. As a condition to this Property Lease, the Trustee 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.

(v) *Incorporation of Administrative Code Provisions by Reference*. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Property Lease as though fully set forth herein. The Trustee shall comply fully with and be bound by all of the provisions that apply to this Property Lease under such Chapters, including but not limited to the remedies

provided in such Chapters. Without limiting the foregoing, the Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of $50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Property Lease may be assessed against the Trustee and/or deducted from any payments due the Trustee.

Section 2. MacBride Principles—Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Property Lease, the person executing this Property Lease on behalf of the Trustee acknowledges and agrees that he or she has read and understood this Section.

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

Section 4. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Property Lease.

Section 5. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Property Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Property Lease and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Property Lease.

Section 6. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, contractors' bids, responses to solicitations and all other records of communications between the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 7. Limitations on Contributions. Through execution of this Property Lease, the Trustee acknowledges that it is familiar with Section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the

sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of $50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 8. Requiring Minimum Compensation for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Property Lease as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(i) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Property Lease comply with the requirements of the MCO. If any subcontractor under this Property Lease fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(ii) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(iii) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(iv) The City, upon reasonable notice to the Trustee, is authorized to inspect the Trustee's job sites during normal business hours, conduct interviews with employees and conduct audits of the Trustee.

(v) The Trustee's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Property Lease. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(vi) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Property Lease for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(vii) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(viii) If the Trustee is exempt from the MCO when this Property Lease is executed because the cumulative amount of agreements with the City for the fiscal year is less than $25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Property Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to exceed $25,000 in the fiscal year.

Section 9. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference and made a part of this Property Lease as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Property Lease shall have the meanings assigned to such terms in Chapter 12Q.

(i) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to

offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(ii) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(iii) The Trustee's failure to comply with the HCAO shall constitute a material breach of this Property Lease. The City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving the City's written notice of a breach of this Property Lease for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(iv) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify the City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. The Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(v) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying the City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(vi) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(vii) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(viii) The Trustee shall keep itself informed of the current requirements of the HCAO.

(ix) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(x) The Trustee shall provide the City with access to records pertaining to compliance with HCAO after receiving a written request from the City to do so and being provided at least ten business days to respond.

(xi) The Trustee shall allow the City to inspect the Trustee's job sites and have access to the Trustee's employees in order to monitor and determine compliance with HCAO.

(xii) The City may conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with the City when it conducts such audits.

(xiii) If the Trustee is exempt from the HCAO when this Property Lease is executed because its amount is less than $25,000 ($50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach $75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than $75,000 in the fiscal year.

Section 10. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Property Lease. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this Section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Property Lease, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee's use of profit as a violation of this Section.

Section 11. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Property Lease. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Property Lease, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 12. Graffiti Removal. Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in

additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and its residents, and to prevent the further spread of graffiti.

The Trustee shall remove all graffiti from any real property owned or leased by the Trustee in the City and County of San Francisco within forty eight (48) hours of the earlier of the Trustee's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This Section is not intended to require the Trustee to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 *et seq*.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 *et seq*.).

Any failure by the Trustee to comply with this section of this Property Lease shall constitute a material breach of this Property Lease.

Section 13. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for penalties set forth in that Section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at http://www.municode.com/Library/clientCodePage.aspx?clientID=4201. 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.

Section 14. Conflict of Interest. Through its execution of this Property Lease, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 *et seq*. and Section 1090 *et seq*. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Property Lease.

Section 15. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Property Lease as though fully set forth. This provision is a material term of this Property Lease. By entering into this Property Lease, the Trustee agrees that if it breaches this provision, the City will suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars ($100) liquidated damages for the first breach, two hundred dollars ($200) liquidated damages for the second breach in the same year, and five hundred dollars ($500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Property Lease was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 16. Proprietary or Confidential Information of City. The Trustee understands and agrees that, in the performance of the work or services under this Property Lease or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the City. The Trustee agrees that all information disclosed by City to the Trustee shall be held in confidence and used only in the performance of this Property Lease. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.

Section 17. Earned Income Credit (EIC) Forms. Administrative Code Section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. The Trustee shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Property Lease becomes effective (unless the Trustee has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by the Trustee; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Property Lease. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Trustee of the terms of this Property Lease. If, within thirty days after the Trustee receives written notice of such a breach, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, the Trustee fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Property Lease or under applicable law. Any Subcontract entered into by the Trustee shall require the subcontractor to comply, as to the subcontractor's Eligible Employees, with each of the terms of this Section. Capitalized terms used in this Section and not defined in this Property Lease shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

**$_____*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024**

PURCHASE CONTRACT

_____, 2024

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

Ladies and Gentlemen:

The undersigned _____, acting on behalf of itself (the "Representative") and the other Underwriters named on the signature page of this Purchase Contract (collectively, the "Underwriters"), offers to enter into the following agreement with the City and County of San Francisco (the "City") to purchase the certificates of participation captioned above (the "Certificates"). 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 11:59 P.M. California time on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written notice (by facsimile transmission or otherwise) from the Representative delivered to the City at any time prior to the acceptance of this Purchase Contract by the City. If the Underwriters withdraw this offer, or the Underwriters' obligation to purchase the Certificates is otherwise terminated pursuant to Section 8(c) hereof, then and in such case the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(b) hereof, and the City shall be free to sell the Certificates to any other party.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the respective meanings set forth for such terms in the Trust Agreement dated as of [_____] 1, 2024 (the "Trust Agreement"), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the "Trustee").

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

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth in this Purchase Contract, the Underwriters hereby jointly and severally agree to purchase from the City, and the City agrees to

sell and deliver to the Underwriters, all (but not less than all) of the $_____ aggregate principal amount of the Certificates.

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

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

Section 2. Official Statement. The City ratifies, approves and confirms the distribution of the Preliminary Official Statement with respect to the Certificates, dated _____ __, 2024 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the execution and delivery of the Certificates by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Certificates dependent on such matters.

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

Section 3. Authorization and Purpose of the Certificates. The City has the authority to execute and deliver the Certificates pursuant to the provisions of Ordinance No. _____ (the "Ordinance"), providing for the execution and delivery of City and County of San Francisco

Certificates of Participation (Concourse Garage Project) Series 2024 in the amount of $_____ adopted by the Board of Supervisors of the City (the "Board of Supervisors") on _____ , 2024.

The Certificates are being executed and delivered pursuant to the Trust Agreement. The Certificates will represent direct, undivided fractional interests in certain rental payments (the "*Base Rental Payments*") to be made by the City pursuant to a Property Lease, dated as of [_____] 1, 2024 (the "*Lease Agreement*") between the City and Trustee. Pursuant to the Lease Agreement, the City will pay the Base Rental Payments in consideration for use and occupancy of certain real property owned by the City (the "*Leased Property*"), which the City will lease to the Trustee pursuant to a Property Lease, dated as of [_____] 1, 2024 (the "*Property Lease*") between the City and Trustee, and the City will sublease the Leased Property back from the Trustee pursuant to the Lease Agreement.

The Certificates are being executed and delivered for the purpose of providing funds to (i) finance the 2024 Project (as defined in the Trust Agreement); (ii) [fund a debt service or other similar reserve]; and (iii) pay the costs of delivery of the Certificates.

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

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

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

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

contained in the Ordinance and the City Documents, to the extent applicable as of the date hereof.

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

(c) From the date of delivery of the Official Statement (as hereinafter defined) up to and including the end of the underwriting period (as such term is defined in Rule 15c2-12) but in no event for more than 25 days after the Closing Date, the Official Statement (except for information regarding DTC and its book-entry only system) does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Purchase Contract, the end of the underwriting period shall be deemed to be the Closing Date (as hereinafter defined), unless the Underwriters notify the City to the contrary on or prior to such date.

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

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

(f) The City is not in material violation of, or in material breach of or in material default under, any applicable constitutional provision, charter provision, law or administrative regulation or order of the State or the United States of America or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, or other agreement or instrument to which the City is a party or to which the City or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or

event of default under any such instrument; and the execution and delivery of the City Documents, the adoption of the Ordinance and compliance with the provisions of the City Documents and the Ordinance will not conflict with or constitute a material breach of or material default under any constitutional provision, charter provision, law, administrative regulation, order, judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject, which breach, default or conflict would have a material adverse effect on the ability of the City to make Base Rental Payments or perform its obligations under the City Documents.

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

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

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

(j) All material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, court, agency or commission

having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of, its respective obligations under City Documents and the Ordinance have been duly obtained or when required for future performance are expected to be obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(k) The financial statements of the City for the fiscal year ended June 30, 20[__], set forth as an Appendix to the Official Statement fairly present the financial position of the City as of the dates indicated and the results of its operations, the sources and uses of its cash and the changes in its fund balances for the periods therein specified to the extent included therein and, other than as set forth in the Official Statement, were prepared in conformity with generally accepted accounting principles applied on a consistent basis.

(l) The City will undertake, pursuant to the Ordinance and a continuing disclosure certificate to provide certain annual financial information and notices of the occurrence of certain enumerated events pursuant to paragraph (b)(5) of Rule 15c2-12 (the "Continuing Disclosure Certificate"). An accurate description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement, the City has not failed to comply in any material respect with its continuing disclosure obligations under Rule 15c2-12in the last five years.

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

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

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

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

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

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

(e) It shall comply with the City's policy and practice that the City shall not pay, and the Underwriters shall not pass through to the City, any fees that are assessed on

the Underwriters as part of the Governmental Accounting Standards Board fee, as well as the MSRB Underwriting and Transaction Assessment, the SIFMA Municipal Assessment or any other industry related fees that are required to be paid solely by the Underwriters.

Section 6. Public Offering.

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

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

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

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

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

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

(iii) "*related rarty*" means a purchaser of any of the Certificates who, along with the underwriter, are both subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits

interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

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

(2) The Representative, on behalf of the Underwriters, agrees to assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the City and Special Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the City unde this section to establish the issue price of the Certificates may be taken on behalf of the City by its Municipal Advisor (defined herein), and any notice or report provided to the City may be provided to the Municipal Advisor.

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

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

(i) the close of the fifth (5^{th}) business day after the sale date; or

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

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

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

(5) The Representative confirms that:

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

(ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allotted to it until it is notified by the Representative

or the Underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires; and

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

Section 7. Closing. At ____ a.m., California time, on _____ __, 2024, or at such other time as shall have been mutually agreed upon by the City and the Representative (the "Closing Date" or the "Closing"), the City will deliver or cause to be delivered to the account of the Representative (through DTC) the Certificates duly executed on behalf of the City, together with the other certificates, opinions and documents set forth in Section 8(d); and the Representative will accept such delivery (through DTC) and pay by wire transfer the purchase price of the Certificates set forth in Section 1.

Payment for the delivery of the Certificates shall be coordinated at the offices of Norton Rose Fulbright US LLP ("Special Counsel"), in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the "Closing." The Representative shall order CUSIP identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Certificates, but neither the failure to print any such number on any Certificate nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Certificates in accordance with the terms of this Purchase Contract. Physical delivery of the Certificates shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, or as otherwise instructed by the Underwriters, and will be in printed form, will be prepared and delivered in registered form and will be registered in the name of Cede & Co., as nominee of DTC. The Certificates will be made available to the Representative for checking not less than two (2) business days prior to the Closing.

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

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

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

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

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

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

(iii) any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Certificates or obligations of the general character of the Certificates, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters; 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 Certificates as described herein, or issued a stop order or similar ruling relating thereto;

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

(i) there shall have occurred 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 Certificates);

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

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

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

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

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

(2) a copy of each executed City Document;

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

(4) a certificate of the City executed by its authorized officer(s), substantially in the form attached hereto as Exhibit B;

(5) an opinion of the City Attorney of the City addressed solely to the City substantially in the form attached hereto as Exhibit C;

(6) an opinion of Special Counsel, in substantially the form set forth in Appendix F to the Official Statement;

(7) a supplemental opinion of Special Counsel, addressed to the City and the Underwriters, dated the Closing Date and substantially in the form attached hereto as Exhibit D;

(8) negative assurance letters from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth, A Professional Corporation (collectively, "Co-Disclosure Counsel"), addressed to the City and the Representative, or if not addressed to the Representative, with a reliance letter to the Representative substantially in the form attached hereto as Exhibit E and Exhibit F;

(9) an opinion of _____, Underwriters' Counsel ("Underwriters' Counsel"), dated the Closing Date and addressed to the Underwriters in form and substance acceptable to the Underwriters;

(10) Tax Certificate of the City regarding the Certificates in form satisfactory to Special Counsel;

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

(12) evidence satisfactory to the Representative that [Moody's Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc.] have assigned the ratings to the Certificates set forth in the Official Statement;

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

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

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

Section 9. Good Faith Deposit. To secure the City from any loss resulting from the failure of the Underwriters to comply with the terms of this Purchase Contract, the Representative has sent to the City Treasurer a wire transfer (in immediately available funds) payable to the order of the City Treasurer, for the benefit of the City, in the amount of $_____, (the "Good Faith Deposit"), the receipt of which is hereby acknowledged by the City. The Good Faith Deposit will,

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

Section 10. Expenses.

(a) Except for those expenses assigned to the Underwriters pursuant to Section 10(b) hereof, the Underwriters shall be under no obligation to pay, and the City shall pay, any expenses incident to the performance of the City's obligations under this Purchase Contract and the fulfillment of the conditions imposed hereunder, including but not limited to: (i) the fees and disbursements of Special Counsel, Co-Disclosure Counsel and NHA Advisors, San Rafael, California (the "Municipal Advisor"); (ii) the fees and disbursements of any counsel, auditors, engineers, consultants or others retained by the City in connection with the transactions contemplated herein; (iii) the costs of preparing and printing the Certificates; (iv) the costs of the printing of the Official Statement (and any amendment or supplement prepared pursuant to Section 4(e) of this Purchase Contract); and (v) any fees charged by investment rating agencies for the rating of the Certificates. The City shall pay for any expenses incurred on behalf of its employees which are directly related to the offering of the Certificates, including, not limited to, meals, transportation, and lodging of those employees.

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

Underwriters in connection with the offering and distribution of the Certificates, including the fees and disbursements of Underwriters' Counsel. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the offering of the Certificates.

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

If to the City:

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

If to the Underwriters:

_____
_____
_____
_____
Telephone: _____

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

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

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

Section 15. Governing Law; Venue. This Purchase Contract shall be governed by and construed in accordance with 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.

Section 16. Mandatory City Contracting Requirements. The City Contracting Requirements are set forth in Attachment A, and are incorporated herein by this reference.

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

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

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

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

Very truly yours,

[UNDERWRITERS]

By: _____, as Representative

By:_____
[Title]

CITY AND COUNTY OF SAN FRANCISCO

By:_____

_____
Deputy Controller

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

APPROVED AS TO FORM:

DAVID CHIU,
CITY ATTORNEY

By: _____
MARK D. BLAKE
Deputy City Attorney

ATTACHMENT A

[City Contracting Provisions] [To be updated]

Each underwriter shall comply with the following provisions of this Purchase Contract as if set forth in the text thereof. Capitalized terms used but not defined in this exhibit shall have the meanings given in the Purchase Contract.

1. Nondiscrimination; Penalties.

(a) *Non Discrimination in Contracts.* Each Underwriter shall comply with the provisions of Chapters 12B and 12C of the San Francisco Administrative Code. Each Underwriter shall incorporate by reference in any subcontracts the provisions of Sections12B.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 Section12B.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 its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (1) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (2) a candidate for that City elective office held by such individual, or (3) a committee controlled by such elected official or a candidate for that office, at any time from the submission or a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. 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 10 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 certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for such contract and has provided the names of the persons required to be informed to the City department with whom it is contracting.

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

9. Requiring Health Benefits for Covered Employees. Each Underwriter shall comply with San Francisco Administrative Code Chapter 12Q. Each Underwriter shall choose and perform one of the Health Care Accountability options set forth in San Francisco Administrative Code Chapter 12Q.3. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12Q.

10. Prohibition on Political Activity with City Funds. In performing the services provided under the Purchase Contract, each Underwriter shall comply with San Francisco

Administrative Code Chapter 12G, which prohibits funds appropriated by the City for this Purchase Contract from being expended to participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure. Each Underwriter is subject to the enforcement and penalty provisions in Chapter 12G.

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

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

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

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

13. Submitting False Claims; Monetary Penalties. The full text of San Francisco Administrative Code §§ 21.35, including the enforcement and penalty provisions, is incorporated into this Purchase Contract. Under San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false

claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

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

20. 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."

21. Prevailing Wages. Services to be performed by the Underwriter under this Agreement may involve the performance of trade work covered by the provisions of Section 6.22(e) of the Administrative Code or Section 21C (collectively, "Covered Services"). The provisions of Section 6.22(e) and 21C of the Administrative Code are incorporated as provisions of this Agreement as if fully set forth herein and will apply to any Covered Services performed by each Underwriter.

SCHEDULE I
Maturity SCHEDULE

$_____

Certificates of Participation
(Concourse Garage Project)
Series 2024

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

EXHIBIT A

FORM OF ISSUE PRICE CERTIFICATE
Pertaining to

$[-]*
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(CONCOURSE GARAGE PROJECT)
SERIES 2024

UNDERWRITER'S CERTIFICATE

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

(1) **Issue Price**.

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

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

(C) Definitions.

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

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

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

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

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

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

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

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

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

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

[Or]

(5) [**Discount Maturities Subject to Mandatory Early Redemption**. The stated redemption price at maturity of the Maturities that mature in the year**[**s**]** 20[-], which Maturities

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

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

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

[Or]

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

[Or]

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

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

FORM OF UNDERWRITER'S CERTIFICATE

EXHIBIT B

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

FORM OF CERTIFICATE OF THE CITY

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

1. The City is a chartered city and county duly organized and validly existing under its Charter and the Constitution of the State of California (the "State"), with full right, power and authority to (a) manage, control, hold and convey property for the use and benefit of the City, and (b) enter into and perform all of the transactions contemplated by the _____ the Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the City and the Purchase Contract, dated _____ __, 2024 (the "Purchase Contract"), between the City and _____, acting on its behalf and on behalf of _____, as underwriters. The Continuing Disclosure Certificate and the Purchase Contract are sometimes referred to in this Certificate as the "City Documents." Capitalized terms not otherwise defined herein shall have the meanings assigned thereto in the Purchase Contract.

2. The persons named below are now, and at all times from and after _____ 1, 2024, have been duly appointed and qualified officers of the City holding the offices of the City set forth opposite their respective names, and each of the undersigned certifies that the signature affixed following the other of the undersigned's name and office is the genuine signature of such person.

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

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

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

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

7. No litigation is pending (with service of process having been accomplished) or, to the knowledge of the undersigned, threatened (a) to restrain or enjoin the execution of or the delivery of the Certificates, the execution of and performance by the City under the City Documents or the use and occupancy by the City of the 2024 Project (as defined in the Ordinance) or (b) in any way contesting or affecting the validity of the Certificates, the City Documents or the performance by the City under the City Documents.

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

9. The City does hereby certify that Ordinance No. _____, adopted by the Board of Supervisors of the City on _____, 2024 and signed by the Mayor of the City on _____, 2024, was duly adopted at proceedings duly conducted by the City and that such Ordinance is in full force and effect and have not been amended, modified or rescinded as of the date hereof.

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

Dated: _____ __, 2024.

Name	Office	Signature

EXHIBIT C

FORM OF OPINION OF CITY ATTORNEY

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF SPECIAL COUNSEL

EXHIBIT E

FORM OF OPINION OF CO-DISCLOSURE COUNSEL

EXHIBIT F

FORM OF RELIANCE LETTER OF CO-DISCLOSURE COUNSEL

Golden Gate Park
Music Concourse Garage

Budget & Finance Committee
July 31, 2024

Background – Music Concourse Garage

- The Music Concourse Garage is an 800-space underground parking facility located within Golden Gate Park, serving GGP visitors and institutions, such as the California Academy of Sciences, the De Young Museum, and Gardens of GGP.
- Authorized in June 1988 by Proposition J, where the City set aside land in GGP for the Garage and allowed a ground lease of the land to the Music Concourse Community Partnership (MCCP), a private non-profit, so that the MCCP could construct and operate the garage.
- In November 2022, voters approved Proposition N which authorized the City to use public funds to acquire and operate the Garage.

Operating Plan

- All revenue generated by the Garage will be directed to the City. SFMTA will be reimbursed for their administrative costs associated with overseeing and managing Garage operations.
- Future legislation will include:
  - Resolution from SFMTA to amend the existing IMCO contract to add operation of the Concourse Garage.
  - Supplemental appropriation ordinance from RPD to appropriate the COP proceeds, garage revenues, and debt service expenditures.

Financing Structure

- RPD is proposing to issue debt to pay off all existing construction-related debt allowing the Department to assume ownership of the Garage.
- MCCP possesses a debt service reserve of approximately $1.1M.
- To fund the acquisition of the Garage, the City will issue Certificates of Participation in an amount not to exceed $29.0M.

Reserve & Certificate of Participation Uses:

- Outstanding Loan Balance - The remaining principal balance on MCCP's loan plus accrued interest ($21.6M) to construct the Garage
- Subordinated Debt – Resulting from a 2008 operating shortfall, the DeYoung and Academy have agreed to settle the payment of debt for $825K each.

Proposed Financing – Sources and Uses

Sources:	
Not-to-Exceed Par Amount	29,000,000
Prior Reserve Fund	1,100,000
Total Sources	**30,100,000**
Uses:	
Project Funds	
First Republic Debt Payoff	21,600,000
Museum Loan Payoff	500,000
Capitalized Interest	1,000,000
Debt Service Reserve Fund	2,450,000
Delivery Date Expenses	
Cost of Issuance	1,050,000
Underwriter's Discount	240,000
Total Projected Uses	**26,840,000**
Plus: Reserve for Market Uncertainty	3,260,000
Total Uses (inlcluding Prior Reserve Fund)	**30,100,000**

Current Plan of Finance

Estimated Financing Terms

- Final Maturity of April 1, 2049*
- True Interest Cost: 4.67%*
- Financing Costs:$1.2M*
- Proceeds Less Financing Costs: $22.0M*
- Total Debt Service: $42.4M*
- Average Annual Debt Service: $1.74M*

**Preliminary estimates, subject to change.*

Lease-Lease Back Structure

- COPs are structured as a lease-lease back agreement, in which the City leases City-owned property to a Trustee and then pays to lease back the property
- It is anticipated that the Music Concourse Garage will serve as the leased property securing the payments on the Certificates.
- Assets can be substituted as needed.

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of the COP Ordinance to the Board of Supervisors	June 25, 2024
• Capital Planning Committee Hearing	July 22, 2024
• Introduction of Supplemental Appropriation Ordinance and MTA Contract Resolution	July 30, 2024
• Budget and Finance Committee Hearing for COP Ordinance	July 31, 2024
• Board Consideration of the COP Ordinance (1st Reading)	September 3, 2024
• Budget and Finance Committee Hearing for Supplemental Appropriation Ordinance and MTA Contract Amendment Resolution	September 4, 2024
• Final Board Consideration of COP Ordinance (2nd Reading) and MTA Contract Resolution; Board Consideration of the Appropriation Ordinance (1st Reading)	September 10, 2024
• Final Board Approval of the Appropriation Ordinance (2nd Reading)	September 17, 2024
• Sale and Closing of the COPs / Transfer of Garage to City	December 2024

**Please note that dates are estimated unless otherwise noted.*

Thank You!

SAN FRANCISCO RECREATION & PARKS

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO · CONTROLLER'S OFFICE · ORO EN PAZ · FIERRO EN GUERRA

SFMTA

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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

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

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

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

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CITY FINANCIAL CHALLENGES

The City continues to face material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), slower than anticipated recovery in the local hospitality and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions. As described herein, these conditions have resulted in projected budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately $1.36 billion in fiscal year 2027-28.

The Original Budget for fiscal years 2023-24 and 2024-25 (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. At the time of its adoption in 2023, the FY24 & FY25 Original Budget assumed a continuing but slow economic recovery from the pandemic, with adverse impacts resulting from the continuing effect of remote office work on economic activity in the City. The revenue assumptions in the FY24 & FY25 Original Budget were highly dependent on conditions in the local economy, and the FY24 & FY25 Original Budget relied heavily on one-time funds to support operations during fiscal years 2023-24 and 2024-25.

As described herein, the economic conditions and revenues assumed in the FY24 & FY25 Original Budget have not materialized. Consequently, in October 2023, the Mayor's Office issued instructions to departments to reduce current-year General Fund expenditures by approximately 3%. Departments proposed and the Mayor's office accepted expenditure reductions and new revenues of approximately $75 million in fiscal year 2023-24, which also resulted in ongoing expenditure savings of $38 million in fiscal years 2024-25 and 2025-26. This savings strategy was intended to achieve onetime and ongoing savings that reduced projected budget deficits.

In December 2023, the Mayor's Office, Controller's Office, and Board of Supervisor's Budget and Legislative Analyst issued the Five-Year Financial Plan Update: FY2024-25 through FY2027-28 (the "December 2023 Five-Year Plan Update"), which forecasted General Fund deficits of $244.7 million in fiscal year 2024-25, $554.5 million in fiscal year 2025-26, $945.1 million in fiscal year 2026-27, and $1,349.7 million in fiscal year 2027-28. The projected deficits were primarily due to continued expenditure growth, coupled with slower revenue growth than previously anticipated. Based on these projections in the December 2023 Five-Year Plan Update, the Mayor's Office issued additional instructions to departments to further reduce General Fund expenditures by 10% in fiscal year 2024-25 and fiscal year 2025-26 and to provide an additional 5% contingency proposal.

In February 2024, the Controller's Office issued its Six-Month Budget Status Report for fiscal year 2023-24 (the "Six-Month Report"), which projects a General Fund ending balance of $459.7 million in fiscal year 2023-24, a $34.5 million improvement from the December 2023 Five-Year Plan Update. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming fiscal year 2024-25 and 2025-26 budget to $764.7 million. The improvement was largely driven by increased revenue in the Department of Public Health, offset by weakness in tax and other department revenue.

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

On April 1, 2024, the Controller issued its most recent report on the status of the City economy for March 2024. The Controller's report noted that the San Francisco MSA lost 21,000 jobs between December and February, most of the loss is due to seasonal factors associated with temporary hiring for the holiday season. The unemployment rate increased to 3.8%, although it remains below the state and national levels. The continuing decline in tech employment comes as the Employment Development Department has published revised employment numbers for 2022 and 2023, which show the area's job losses– particularly in tech and other office industries– were greater than previously expected. The report also noted that Muni Metro and BART ridership have increased in recent months but still remain significantly below pre-pandemic levels. Bridge crossings into and out of the City are also notably lower than pre-pandemic levels.

The Controller's prior report on the City economy, released on February 2, 2024, indicated that there is little sign of recovery in the downtown office market; as office vacancies rose in the fourth quarter of 2023 to 32.1%, while rents and office attendance showed small declines. Additionally, the City's housing market also remains sluggish, with single-family home and condo prices increasing Statewide but falling in San Francisco. 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; Impact on Property Taxes and Other Revenues" 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.

In mid-May 2024, the fiscal year 2024-25 Nine Month Budget Status Report will be issued (the "May 2024 Nine-Month Report"). In addition, on or before June 3, 2024, the Mayor is required to release the fiscal year 2024-25 and 2025-26 proposed budget (the "Proposed FY25 and FY26 Budget"). While the City currently anticipates that the May 2024 Nine-Month Report and the Proposed FY25 and FY26 Budget will reflect a continuation of the economic conditions and revenue pressures described above, there can be no assurances that further revenue declines or other budgetary pressures will not be identified. As described in "CITY BUDGET—Budget Process", the City is required by the Charter to adopt each year a budget which is balanced in each fund.

Pursuant to the Charter, the Controller is required to prepare the May 2024 Nine-Month Report comprising expenditure and revenue information and projections as of March 31, 2024. It will also incorporate current information up to the date of publication as available. The Controller's office is expected to release the May 2024 Nine-Month Report the week of May 13, 2024. The Controller's Office is still gathering information necessary to produce the May 2024 Nine-Month Report and does not have firm results or projections at this time.

In addition to the May 2024 Nine-Month Report, the City expects to present new MOU's for unions with open contracts to the Board of Supervisors on or before May 15, 2024 and is considering placing a ballot

measure on the November 2024 election to reform the City's Business Taxes. The new MOU's are expected to increase the structural deficits in the Five-Year Plan unless other corrective actions are taken. The potential impact, if any, on City revenues of a Business Tax reform measure are uncertain at this time. See "EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS: Labor Relations" and "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Business Taxes" herein for a further discussion of such matters.

CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State") and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, voters approved the current charter, which went into effect in most respects on July 1, 1996 ("Charter").

The city is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades TK-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including a port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mills Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San

Francisco International Airport. In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. SFO, the Port, SFPUC (which includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including twenty one public parking garages), and the City-owned hospitals (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, *District 1*	2021	2025
Catherine Stefani, *District 2*	2018	2027
Aaron Peskin, Board President, *District 3*	2015	2025
Joel Engardio, *District 4*	2023	2027
Dean Preston, *District 5*	2019	2025
Matt Dorsey, *District 6*	2022	2027
Myrna Melgar, *District 7*	2021	2025
Rafael Mandelman, *District 8*	2018	2027
Hillary Ronen, *District 9*	2017	2025
Shamann Walton, *District 10*	2019	2027
Ahsha Safai, *District 11*	2017	2025

Other Elected and Appointed City Officers

The City Attorney, an elected position, represents the City in all legal proceedings in which the City has an interest. On September 29, 2021, Mayor London N. Breed appointed Assemblymember David Chiu to serve as the San Francisco City Attorney. Mr. Chiu replaced the prior City Attorney, Dennis Herrera, who became the General Manager of the San Francisco Public Utilities Commission on November 1, 2021. Mr. Chiu ran and was elected by voters in an election on June 7, 2022 to his current term as City Attorney.

The Assessor-Recorder, a citywide elected position, administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. Mr. Torres ran and was elected by voters in a special election on February 15, 2022 to his current term as Assessor-Recorder.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019 for a term that extends through January 2025. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. On January 10, 2024, Mayor Breed appointed Greg Wagner, formerly the Chief Operating Officer of the City's Department of Public Health, to a ten-year term as Controller of the City. Mr. Wagner's appointment was confirmed by the Board of Supervisors on January 23, 2024, in accordance with the Charter. Mr. Wagner replaced the prior City Controller, Benjamin Rosenfield, who stepped down from the position after serving as City Controller since March 2008.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency which consists of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Carmen Chu was sworn in as the City Administrator on February 2, 2021.

CITY BUDGET

Overview

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

The 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 appropriated 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 and Revenue Letter" for further details on the budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2020-21 through 2022-23, and Original Budgets for fiscal years 2023-24 and 2024-25. See "GENERAL FUND REVENUES – PROPERTY TAXATION –Tax Levy and Collection," "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

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

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TABLE A-2

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

(000s)

	2020-21 Final Revised Budget [5]	2021-22 Final Revised Budget [5]	2022-23 Final Revised Budget [5]	2023-24 Original Budget [6]	2024-25 Original Budget [6]
Prior-Year Budgetary Fund Balance & Reserves	$2,816,902	$2,803,535	$3,214,031	$224,248	$362,464
Budgeted Revenues					
Property Taxes[1]	$2,161,945	$2,115,600	$2,379,530	$2,510,000	$2,474,000
Business Taxes	798,057	957,307	$902,246	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	26,749	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	38,660	121,071	113,517
Rents and Concessions	11,166	11,820	12,913	14,571	14,803
Grants and Subventions	1,591,756	1,699,946	1,536,227	1,477,115	1,388,989
Charges for Services	254,990	258,939	243,298	272,865	264,613
Other	59,773	37,694	23,307	17,532	27,766
Total Budgeted Revenues	$5,581,775	$5,925,337	$6,216,838	$6,396,439	$6,455,892
Bond Proceeds & Repayment of Loans	-	-	-	-	-
Expenditure Appropriations					
Public Protection	$1,505,780	$1,586,264	$1,681,489	$1,747,204	$1,779,540
Public Works, Transportation & Commerce	218,986	244,365	275,941	242,912	233,446
Human Welfare & Neighborhood Development	1,605,573	1,571,761	1,621,981	1,604,163	1,615,373
Community Health	1,158,599	1,119,891	1,118,010	1,125,977	1,157,023
Culture and Recreation	147,334	161,417	180,475	201,453	202,539
General Administration & Finance	332,997	353,518	351,738	345,406	357,335
General City Responsibilities	126,993	159,299	201,959	184,513	237,146
Total Expenditure Appropriations	$5,096,262	$5,196,515	$5,431,593	$5,451,628	$5,582,402
Budgetary reserves and designations, net	$42,454	$45,567	$46,496	$70,840	$17,550
Transfers In	$417,009	$194,114	$194,984	$211,296	$210,318
Transfers Out[3]	(1,164,927)	(1,181,704)	(1,315,702)	(1,309,516)	(1,428,723)
Net Transfers In/Out	($747,918)	($987,590)	($1,120,718)	($1,098,220)	($1,218,405)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	2,512,044	2,499,200	2,832,062	-	-
Variance of Actual vs. Budget	291,491	714,831	131,543	-	-
Total Actual Budgetary Fund Balance[4]	2,803,535	3,214,031	2,963,605	-	-

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

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

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

[4] Fiscal year 2020-21 through fiscal year 2022-23 Final Revised Budget reflects prior year *actual* budgetary fund balance.

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

[6] Fiscal year 2023-24 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, SFPUC, 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 General Fund revenues and expenses and summarizes expected public service levels and funding requirements for that period. An update to the five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on March 29, 2023, for fiscal year 2024-25 through fiscal year 2027-28. See "CITY BUDGET: Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" section below. The Five-Year Financial Plan was most recently updated in December 2023. "CITY BUDGET: Five-Year Financial Plan Update: FY2024-25 through 2027-28 and Mayor's Budget Instructions" for a summary.

3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:

    - Non-Recurring Revenue Policy – This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for, or expectation of, substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt, or other long-term obligations.
    - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. No withdrawals from these reserves were made in fiscal year 2023-24, and none are projected to be made during the forecast period given positive, though slow, revenue growth. These and other reserves are discussed under "Rainy Day Reserve" and "Budget Stabilization Reserve" below.

4. The City is required to submit labor agreements to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. 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 fiscal year 2024-25, and the City will be bargaining throughout the spring of 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 the fiscal year 2023-24 Six Month Report (the "Six Month Report") on February 15, 2024, and will issue the Nine Month Report in May 2024. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in each Mayor's Proposed Budget; the next report (Revenue Letter) for fiscal year 2024-25 and 2025-26 will be issued in June 2024.

General Fund Results: Audited Financial Statements

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

Fiscal year 2022-23 General Fund balance decreased from the fiscal year 2021-22. As of June 30, 2023, the net available budgetary basis General Fund fund balance was $852.1 million (see Table A-3), which is $164.0 million less than the $1,016 million available as of June 30, 2022. This decrease resulted from General Fund expenditures exceeding revenues, as planned for in the fiscal year 2022-23 budget, which assumed the use of $306.7 of budgetary basis fund balance.

On a Generally Accepted Accounting Principles ("GAAP") basis, the General Fund balance as of June 30, 2023 was $2.6 billion (shown in Tables A-3 and A-4) derived from revenues of $6.1 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-4 focuses on the City's fund balances; General Fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2019, through June 30, 2023.

Table A-3, entitled "Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's published 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-3 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes), and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements. See "CITY BUDGET – Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" for a summary of the most recent projections.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO

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

Fiscal Years 2018-19 through 2022-23

(000s)

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

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

2 The City recognized $548.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 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, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

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

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-4 shows the City's various reserve balances as designations of fund balance. Key reserves are described further as follows:

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-4 below. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

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

The fiscal year 2022-23 ending balance of the Rainy Day Economic Stabilization City Reserve was $114.5 million, as shown in Table A-4. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in fiscal years 2023-24, 2024-25 or 2025-26, preserving the balance of $114.5 million in those years.

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

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-4 below. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One-Time Reserve was $330.0 million at the end of fiscal year 2022-23, with an ending balance of $275.2 million in the Budget Stabilization Reserve and $54.8 million in the Budget Stabilization One-Time Reserve. As with the Rainy Day Reserve under Proposition C, the City is not permitted to withdraw from the Budget Stabilization Reserve in fiscal years 2023-24, 2024-25 or 2025-26, maintaining the fiscal year 2022-23 balance of $275.2 million.

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

Salaries, Benefits and Litigation Reserves

The City maintains two reserves to offset potential expenses, which are available to City departments through a Controller's Office review and approval process. These are shown in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-4 below. These include the Salaries and Benefit Reserve (balance of $27.9 million as of fiscal year 2022-23) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of $259.2 million in fiscal year 2022-23) are combined for reporting purposes. The purpose of the latter is to manage patient revenue volatility in the Department of Public Health.

General Reserve

The City maintains a General Reserve, shown as part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-4 below. The fiscal year 2022-23 balance of $64.7 million includes $57.8 million of General Reserve, as well as two smaller, unrelated reserves. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. A City policy, originally adopted on April 13, 2010, set the General Reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City appropriates a withdrawal from the Rainy Day reserve. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal years 2020-21 and 2021-22, the City withdrew from the Rainy Day Reserve and reset its General Fund Reserve deposit requirement to 1.5% of General Fund revenues in those years. The fiscal year 2022-23 ending balance of the General Reserve is $57.8 million. The Original Budget for fiscal years 2023-24 includes a deposit of $70.8 million "CITY BUDGET – Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" and "– Other Budget Updates: Fiscal Year 2023-24 Six-Month Budget Status Report" for a summary of the most recent projections.

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

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

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

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

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

Operating Cash Reserve

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

TABLE A-4

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

	2018-19	2019-20	2020-21	2021-22	2022-23
Restricted for rainy day (Economic Stabilization account)[1]	$229,069	$229,069	$114,539	$114,539	$114,539
Restricted for rainy day (One-time Spending account)[2]	95,908	-	-	-	-
Committed for budget stabilization (citywide)[2]	396,760	362,607	320,637	320,637	330,010
Committed for Recreation & Parks savings reserve	803	803	-	-	-
Assigned, not available for appropriation					
Assigned for encumbrances	$351,446	$394,912	$407,137	$462,668	$424,301
Assigned for appropriation carryforward	496,846	630,759	753,776	940,213	840,748
Assigned for budget savings incentive program (Citywide)	86,979	-	-	-	-
Assigned for salaries and benefits [3]	28,965	25,371	5,088	17,921	27,927
Assigned for Self-Insurance [4]	-	-	42,454	45,567	46,496
Assigned for Hotel Tax Loss Contingency	-	-	6,000	3,500	3,500
Total Fund Balance Not Available for Appropriation	$1,686,776	$1,643,521	$1,649,631	$1,905,045	$1,787,521
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies [3]	$186,913	$160,314	$173,591	$235,133	$259,230
Assigned for subsequent year's budget	210,638	370,405	173,989	307,743	122,701
Unassigned for General Reserve [5]	130,894	78,498	78,333	57,696	64,707
Unassigned - Budgeted for use second budget year	285,152	84	-	149,695	291,710
Unassigned - Projected for use third and fourth budget year	-	-	-	163,400	81,190
Unassigned - Reserve for Other Contingencies	308,000	-	-	-	-
Unassigned - COVID-19 Contingency Reserve [6]	-	507,400	113,500	13,999	-
Unassigned - Federal & State Emergency Revenue Reserve [6]	-	-	100,000	81,300	81,300
Unassigned - Fiscal Cliff Reserve [6]	-	-	293,900	229,750	220,432
Unassigned - Business Tax Stabilization Reserve	-	-	149,000	29,454	29,454
Unassigned - Gross Receipts Prepayment Reserve	-	-	26,000	-	-
Unassigned - Public Health Use in FY 2023-24	-	-	-	-	21,213
Unassigned - Other Reserve	-	3,000	13,807	1,021	1,021
Unassigned - Available for future appropriation	8,897	18,283	31,784	39,795	3,126
Total Fund Balance Available for Appropriation	$1,130,494	$1,137,984	$1,153,904	$1,308,986	$1,176,084
Total Fund Balance, Budget Basis	$2,817,270	$2,781,505	$2,803,535	$3,214,031	$2,963,605
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$2,817,270	$2,781,505	$2,803,535	$3,214,031	$2,963,605
Unrealized gain or loss on investments	16,275	36,626	3,978	(156,403)	(158,859)
Nonspendable fund balance	1,259	1,274	2,714	4,134	1,174
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(23,793)	(20,655)	(31,745)	(32,874)	(40,685)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(87,794)	(139,590)	(120,569)	(118,791)	(111,163)
Inventories	-	33,212	17,925	-	-
Pre-paid lease revenue	(6,194)	(6,450)	(5,734)	(4,954)	(5,935)
Total Fund Balance, GAAP Basis	$2,717,023	$2,685,922	$2,670,104	$2,905,143	$2,648,137

[1] Additional information in "Rainy Day Reserve" section of Appendix A.

[2] Additional information in "Budget Stabilization Reserve" section of Appendix A.

[3] Additional information in "Salaries, Benefits and Litigation Reserves" section of Appendix A.

[4] Due to GASB 84 implementation, the self-insurance and other general City activities from the former Payroll (Agency) Fund became part of the General Fund. The balance represets a fund collected and restricted for self-insurance purpose.

[5] Additional information in "General Reserve" section of Appendix A.

[6] Additional information in the "COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve " section of Appendix A.

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

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 were not materially different from the budget finally passed and approved later in the summer.

As described herein, subsequent reports have been issued, which have identified additional financial pressures.

In the Revenue Letter, the Controller's Office found tax revenue assumptions to be reasonable but cautioned that they were 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 June 2023 Revenue Letter included:

- **Tax revenue projections generally assumed 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, were 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 were 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 were 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 assumed nearly $1 billion of General Fund one-time solutions over the two budget years.** These one-time solutions included drawdown of $405.0 million in prior year fund balance, including $117.2 million in prior continuing appropriations the Mayor's budget proposed 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 proposed $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 drew on available reserves but maintained the City's economic stabilization reserves.** The budget used $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 maintained 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 made some limited progress towards projected structural budget gaps in years beyond the coming two-year budget period.** The projected structural budgets, 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 estimated 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.

Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions

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

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

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

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

TABLE A-5(a)

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

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

Key assumptions in the March 2024 Joint Report:

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

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

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

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

- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with Consumer Price Index ("CPI"): This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of fiscal year 2023-24, and as negotiated for public safety employees through fiscal year 2025-26. Miscellaneous contracts are open beginning in fiscal year 2024-25 and public safety contracts are open beginning in fiscal year 2026-27. All open contracts assume the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report to equal 2.54% for fiscal year 2024-25, 2.53% for fiscal year 2025-26, 2.56% for fiscal year 2026-27, and 2.23% for fiscal year 2027-28, applied to the first pay period in January 2025 of fiscal year 2024-25 and the first pay period of each fiscal year thereafter in the projection period. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels and are used solely for projection purposes.

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

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

- Inflationary increase on non-personnel operating costs: This projection assumes that the cost of materials and supplies, professional services, and other non-personnel operating costs will increase by the rate of CPI starting in fiscal year 2024-25 and each fiscal year thereafter at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report forecast to 2.54% for fiscal year 2024-25, 2.53% for fiscal year 2025-26, 2.56% for fiscal year 2026-27, and 2.28% for fiscal year 2027-28. The projection reflects the adopted fiscal year 2023-24 and fiscal year 2024-25 budget, which included a 3.75% cost-of-doing business increase for General Fund nonprofit contracts.

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

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

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

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

- Elevated interest rates are dampening investment and growth at the state and local levels. Successive Federal Reserve interest rate increases appear to have slowed inflation, and professional "Blue Chip" forecasters believe a "soft landing" will likely be achieved nationally. However, high interest rates have an outsized effect on San Francisco's economy, which is highly concentrated in technology firms. Even if rate cuts occur in 2024, as the Fed has suggested, they

will remain high compared to the historically low rates enjoyed in the years before and during the pandemic. Hiring and growth at technology firms is tied to venture capital investment, which has fallen locally to $21 billion for the first three quarters of 2023, compared to $46 billion in 2022 and $81 billion in 2021, as high interest rates make venture capital investment less attractive. Declining venture capital investment in the technology sector and related reductions in tech firm expenditures would most directly affect business taxes, but would also affect sales, hotel, and property-related taxes.

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

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

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

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

- Potential revenue risk from FEMA reimbursements for COVID-19 related expenses. The City assumes it will receive a total of $572.2 million of FEMA reimbursements for its COVID-19-related expenditures, unchanged from the March 2023 Five Year Financial Plan Update. However, fiscal year 2022-23 experience illustrates the risk inherent in these assumptions, when only $2.6 million of the $243.4 million budgeted FEMA revenue was realized by year end. While the City considers

this a payment delay versus a disallowance, any changes in guidance or further audits of the City's submissions could be a risk to this revenue.

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

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

- Business tax litigation: As of June 30, 2023, the City has reserved more than $400 million of tax collections for litigation risk, including almost $200 million in gross receipts tax and almost $150 million in homelessness gross receipts tax. The legal issues vary by claimant; however, the recent acceleration of litigation underscores the growing complexity of the City's business tax regime and the impact that a few payers can have on the City's revenue outlook. Although more than 10,000 businesses pay the gross receipts tax that accrues to the General Fund, the top ten payers accounted for 27% of the revenue in tax year 2022. The top ten payers accounted for 31% of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive taxes – in tax year 2022. The business tax forecast considers all known litigation initiated as of the report publication date.

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

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

The Six-Month Budget Status Report for fiscal year 2023-24 (the "Six-Month Report") was released on February 15, 2024. The Six-Month Report projected a General Fund ending balance of $459.7 million in

fiscal year 2023-24, a $34.5 million improvement from the December 2023 Five-Year Plan Update. Application of this additional current year fund balance would decrease the projected shortfall in the upcoming two-year budget to $764.7 million. The improvement was largely driven by revenue in the Department of Public Health, offset by weakness in tax and other department revenue.

TABLE A-5(b)

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

	Five Year Plan vs FY24 Budget	Six-Month Report vs FY24 Budget	Change from Five Year Plan to Six-Month Report
FY 2022-23 Ending Fund Balance	417.5	417.5	-
Appropriation in the FY 2023-24 Budget	(414.4)	(414.4)	-
Prior Year Fund Balance Above Budgeted Levels	**3.1**	**3.1**	**-**
Citywide Revenue	(42.9)	(117.4)	(74.6)
Baseline Contributions	(4.3)	22.7	26.9
Departmental Operations	96.4	178.4	82.0
Current Year Revenues and Expenditures	**49.3**	**83.7**	**34.5**
Approved Use of General Reserve	-	-	-
Public Health Revenue Management Reserve	-	-	-
Supplemental Appropriations & Use of Reserves	**-**	**-**	**-**
Previously Unappropriated Fund Balance	**81.2**	**81.2**	**-**
Fund Balance Previously Appropriated in FY 2024-25	**291.7**	**291.7**	**-**
FY 2023-24 Projected Ending Balance	**425.3**	**459.7**	**34.5**

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

- A $117.4 million projected citywide revenue shortfall is due to weakness across numerous tax and other revenue sources, an increase in the shortfall of $74.6 million from prior projections. Property tax projections have been updated to include the need to reserve an additional $36.0 million for appeals on the full complement of 2023 assessed values of commercial properties, which were not known at the time of the Six-Month Report. An additional shortfall of $48.4 million in business tax reflected the impact of litigation brought against the City and refunds for prior tax years recorded in the current year. Modestly larger shortfalls in sales and hotel taxes from prior projections reflected additional monthly revenue performance. While still $33.6 million below budget, transfer tax projections were $18.2 million higher than previous projections given November 2023 collections resulting from demand letters issued by the Assessor. There was no change from the previous projection of FEMA revenue. Departments are projected to end the year with a $178.4 million net operating surplus. This included $78.4 million of expenditure savings and additional revenues identified by departments in response to the Mayor's September request for mid-year cuts, which are largely projected to be realized. The $82.0 million increase

from prior projection was largely due to a $67.3 improvement at the Department of Public Health, which was primarily composed of revenue surpluses at Zuckerberg San Francisco General Hospital, behavioral health, and primary care. In addition, there were modest salary and benefit savings across a wide array of departments, citywide retiree health savings, and overhead fund savings at Recreation and Parks.

BUDGETARY RISKS

In addition to the budgetary risks described below, see "CITY BUDGET – Other Budget Updates: Fiscal Year 2023-24 Six-Month Budget Status Report" for the most recent periodic budget status updates 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.

Impact of Commuting Pattern Changes on Business Taxes

The persistence of remote work results in continued pressure on the City's General Fund revenues. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Continued high levels of telecommuting and work from anywhere policies may affect how much of any business's gross receipts are apportionable to the City. Muni metro and downtown BART ridership have not returned to pre-pandemic levels, and both have recently dropped off from summer highs. Indicators of auto use – bridge crossings and freeway speed – both indicate less traffic. As of January 2024, bridge crossings into and out of the City dropped to about 83% of pre-pandemic levels. Comparatively, the bridge crossings were at their post-pandemic peak in August 2023 at approximately 95% of pre-pandemic levels.

Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

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

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

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

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

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

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

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

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the 4th quarter of 2019 to 32.1% in the 4th quarter of 2023. Because of the prevalence of long-term leases in the commercial real estate industry, sudden reductions in demand often result in increases in sublease vacancy, instead of direct vacancy. Sublease vacancy occurs when existing tenants vacate their space and seek to find sub-lessees, but continue to pay rent under the original lease. A direct vacancy occurs when the original lease has been broken, or has expired and not been renewed. In this case, the property's income declines until a new lease is signed. In the City, sublease vacancies were a very high percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate declined, while the direct vacancy rate continued to rise, and by mid-2022, direct vacancies accounted for most of the vacant office space in San Francisco, according to Jones Lang LaSalle IP, Inc. These historically high office vacancy rates are projected to be between 15.8% and 36.9% by 2027, a range which is as high, or higher, than any previous peak in office vacancy dating back to the 1990s. If vacancy rates remain at this elevated level, and a large share of these are direct vacancies, then the income, and market value, of office buildings in the City are likely to continue to be negatively affected. The market value of commercial real estate reflects the current and future income that the market expects the property to generate. If expectations of future income streams are reduced, then the market value of office properties will be reduced.

A reduction in demand from tenants is not the only thing that could reduce the market value of San Francisco office buildings in the near future. Using an income valuation approach, the market value of properties is commonly estimated as the property's net operating income, divided by its capitalization rate (its effective rate of return). Capitalization rates are generally calculated from the sales of comparable

properties, and vary across markets, and over time, according to changes in investors' perception of risk, and the risk-free rate of return. When investors perceive greater risk, they require a higher rate of return, and the spread between that asset's capitalization rate and the risk-free rate widens. When the capitalization rate rises, for whatever reason, the market value of a property will decline, all other things being equal.

The market value of a property is important for property tax revenue because a property's assessed value – the basis of its property tax liability – may not exceed its market value. If a property owner believes a property is assessed above its market value, they can request a reduction in assessment from the Assessor, and/or appeal a decision to the Assessment Appeals Board.

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 the City, 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 City 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.

Given assessment appeal hearing timelines, there is a significant lag between the filing of appeals and completion of hearings at the Assessment Appeals Board ("AAB"). In the interim, published reports reflect the estimated loss of assessed value due to both currently filed and expected future office appeals through the end of the forecast period, reaching $15.9 billion by fiscal year 2027-28. As of June 30, 2023, the City is holding $147.4 million in AAB reserves for the General Fund's portion of refunds on approximately $25.13 billion in prior years' assessed value reductions, plus interest. Reserve balances are projected to grow given the capacity for hearings and requests for delays from commercial property owners' agents. Total prior assessment year reductions assumed for this projection are $11.46 billion, $18.82 billion, $19.07 billion, $22.66 billion, and $22.50 billion in assessed values for fiscal year 2023-24 through fiscal year 2027-28, respectively. As of the December 2023 Joint Report, General Fund property tax revenue required to pay refunds that result from AAB decisions is estimated at $74.0 million, $104.6 million, $106.0 million, $126.0 million, and $125.1 million, for fiscal years 2023-24 through 2027-28, respectively, directly reducing property tax revenue in the year of deposit.

The City cannot predict the actual level of revenues losses, however the City will continue to account for these trends in its periodic reports. See "CITY BUDGET — Other Budget Updates: Fiscal Year 2023-24 Six-Month Budget Status Report" and "CITY BUDGET – Original Budget For Fiscal Years 2023-24 and 2024-25 and Revenue Letter" for additional information.

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, 2020, 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 to PG&E and PG&E Corporation to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City (the "Target Assets") for a purchase price of $2.5 billion (such transaction, the "Proposed Transaction"). In a letter dated October 7, 2019, PG&E declined the City's offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City's Board of Supervisors and SFPUC's Commission conditionally authorized the sale of up to $3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

On July 27, 2021, the City submitted a petition with the California Public Utilities Commission (the "CPUC") seeking formal determination of the value of 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 SFPUC. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's General Fund would be available to pay for system operations, or City General Fund secured bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E's assets and expects to continue its pursuit with the newly reorganized entity.

Impact of 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 XIIIC, 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 XIIIC, 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 January 10, 2024, the Governor released a proposed budget that closes a $37.9 billion shortfall. The budget assumes continued but slowing economic growth that stops short of assuming a recession. There is a difference of opinion on the size of the state budget shortfall, with the LAO and other external entities forecasting a higher shortfall. Income tax filings and decisions of the federal reserve are among the key pieces of data that will be incorporated into the May revised budget. The budget includes a proposal to change State law to require counties to distribute ERAF funds to district-sponsored charter schools, roughly tripling the amount of local property tax dollars going to charter schools and reducing the State's contribution to Prop 98 funding requirements by a like amount. This would not increase funding for schools, but it would reduce the amount of excess ERAF revenue returned to the City by approximately $45 million annually. The budget also proposed modest cuts to a number of human services programs, while leaving health programs largely intact.

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 Update: FY 2024-25 through 2027-28 and Mayor's Budget Instructions" the Five-Year Plan identifies State changes in ERAF allocation as a key factor that could impact the City's future financial position.

Impact of Federal Government on Local Finances

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

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

The federal government provided significant funding to local governments to respond to the public health emergency and mitigate the fiscal effect of the COVID-19 pandemic. The City spent the entirely of its General Fund allocations of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act State and Local Fiscal Recovery Fund monies as of fiscal year 2021-22 and is awaiting reimbursement of emergency response costs submitted to the FEMA. In fiscal year 2022-23, the City originally budgeted $243.4 million of FEMA reimbursements. By May 2023, that estimate was revised down to $23.4 million in that fiscal year, and only $2.6 million was recorded by year end. In addition to the timing of reimbursements, the City is in communication with both state and federal officials to understand the fiscal effect of recent changes in FEMA cost eligibility guidelines for non-congregate shelter programs, as described above.

Laguna Honda Hospital 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 CDPH 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, the CDPH 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 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, and is in the process of forming an Enhanced Infrastructure Financing District (collectively "IFDs") within the geographic boundaries of the City.

Under IFD Law, municipalities may fund improvements within the IFD geographic boundary. IFDs capture increases in property tax revenue stemming from growth in assessed value as a result of new development and use that revenue to finance infrastructure projects and improvements. Each district has its own plan of finance for the allocation and use of tax increment.

GENERAL FUND REVENUES

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

PROPERTY TAXATION

Property Taxation System – General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value at the beginning of that fiscal year. The Controller also applies the tax rate factors, including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), and tax factors needed to repay voter-approved general obligation bonds on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

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 [4]	3.8%	1.178	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.

4 Based on initial assessed valuations for fiscal year 2023-24.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, 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 FY24 & FY25 Original Budget assumed 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. Most recent reports have noted continuation of these trends.

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 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 such time as the market value again exceeds the property's factored base year value, at which point the Assessor reestablishes the factored base year value as the taxable value to be enrolled for that January 1 lien date.

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 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 by roll close but subsequently issued roll corrections of $1.05 billion for 18 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. For the January 1, 2024 lien date, the Assessor's Office anticipates performing temporary decline-in-value reviews (i.e. Informal Reviews) for approximately 8,000 properties, up from approximately 7,100 the year prior. The Assessor's Office expects condominiums will continue to make up a majority of these requests but that the proportion of requests associated with single-family dwellings may rise. The Assessor's Office has not yet completed the temporary reduction review for the 2024 Assessment Roll.

In order to more efficiently address a number of regular open appeals on condominium properties with an assessed value below $5 million, in January, the Assessor's Office applied the same regression model it uses for determining Prop 8 reductions on condominiums to condominiums with open appeals. Stipulation letters were sent to 942 taxpayers containing a recommended value and instructions about how to withdraw their open appeal if they accepted said value. Taxpayers were given three weeks to withdraw their appeals and accept the recommended value, which 565 taxpayers did according to records reviewed the week of March 7, 2024. The result is a downward adjustment of the enrolled value for these properties totaling approximately $127 million. This initiative was one among a number aimed at addressing the steep increase in open appeals.

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 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, reestablishes 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 December 31, 2023, the total number of open appeals before the AAB was 9,334 with 7,808 new applications filed in fiscal year 2023-24. As of December 31, 2023, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was $94.2 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 $1.1 billion would result. The General Fund's portion of that potential $1.1 billion would be approximately $475.0 million. 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 1,157 appeals closed during fiscal year 2023-24 as of December 31, 2023, 734, or 63% 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. These applications have been processed, and the number of appeal applications received during this most recent filing period was approximately three times the amount the City received in the previous fiscal year.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2023-24 was $4.1 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues in fiscal year 2023-24 (including supplemental and escape property taxes) the City budgeted $2.5 billion in the General Fund and $286.3 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive approximately $256.8 million and $48.2 million, respectively, and the local ERAF is estimated to receive $431.3 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency is estimated to receive $157.3 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 will be 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 the City is approximately $4.4 billion.

OTHER CITY TAX REVENUES

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

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

As described herein, certain revenues are not expected to reach levels projected in the Original Budget for fiscal year 2023-24. 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]	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%*

[1] 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 was suspended for one year because the City's 2021 taxable gross receipts did not reach the 90% threshold and the 2024 tax increase is suspended for one year because the City's 2022 taxable gross receipts did not reach the 95% threshold. In some industries that were particularly hurt during the pandemic, such as retail, trade and food services, Proposition F resulted in lowered tax rates through 2022 for gross receipts under $25 million. Subsequent legislation extended the lowered rate to these businesses for an additional two years. Proposition F also reduced business registration fees for businesses with less than $1 million in gross receipts and raised the small business exemption for gross receipts taxes to $2 million.

Business tax revenue (gross receipts, payroll, and business registration) for fiscal year 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 March 2024 Joint Report projection is $825.0 million, a decrease of $28.2 million (3.3%) from fiscal year 2022-23 actuals.

At the request of Mayor London Breed and Board of Supervisors President Aaron Peskin, on February 5, 2024, the Office of the Treasurer & Tax Collector and the Office of the Controller released a memo entitled "Recommended Reforms to the Business Tax System" outlining a series of tax reform recommendations to inform a potential ballot measure for the November 2024 election (the "Business Tax Reform Memo"). The Business Tax Reform Memo makes a series of recommendations to restructure, simplify and reduce litigation risks associated with the City's various business taxes. The City, in consultation with various community and business stakeholders, is considering placing a ballot measure on the November 2024 election to reform the City's business tax. Alternatively, community or business stakeholders could attempt to reform the City's business taxes through a voter initiative. The City can make no assurance that the Board of Supervisors will adopt a legislative proposal to put the business tax reform measure on the November 2024 ballot or that community or business stakeholders will seek to do so through the initiative process. Additionally, the City can make no assurances regarding the impact, if any, that such business tax reform measures might ultimately have on business tax revenues.

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 13.3% in May 2020. But, after a low of 2.1% in May 2022, the unemployment rate increased to 3.8% in February 2024. Just prior to the start of the pandemic, there were approximately 570,000 employed residents in the City. After falling to a low of about 475,000 in May 2020, the number of employed residents has risen to about 540,000 as of February 2024, which represents a decline of about 20,000 since the peak in December 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 Kastle Systems, a company that provides security for office buildings, office attendance in the San Francisco area at the end of 2023 was about the same as it was in July of 2023, around 40% to 45% of pre-pandemic levels.

According to polling data from WFH Research, in January 2024, 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 actuals and fiscal year 2023-24 and 2024-25 projections. See "BUDGETARY RISKS – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues."

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds [1]
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	853,154	(10,356)	-1.2%
2023-24 Projected[3]	825,000	(28,154)	-3.3%
2024-25 Projected[3]	883,000	58,000	7.0%

[1] Figures exclude Homelessness Gross Receipts and Commercial Rent taxes.

[2] Figures for fiscal year 2019-20 through fiscal year 2022-23 are actuals. Includes gross receipts and payroll taxes allocated to special revenue funds for the Community Challenge Grant program as well as business registration tax.

[3] Projected amounts are from the March 2024 Joint Report.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. Hotel tax revenue in fiscal year 2022-23 is $283.5 million (all funds), an increase of $104.3 million (58.2%) from fiscal year 2021-22. The March 2024 Joint Report projected $300.0 million in hotel tax revenue for fiscal year 2023-24, an increase of $16.5 million (5.8%) from fiscal year 2022-23 but $42.1 million (12.3%) below the FY24 & FY25 Original Budget. The fiscal year 2024-25 projection is $323.5 million, an increase of $23.5 million (7.8%) 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 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.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds[1]
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	14.0%	283,453	104,320	58.2%
2023-24 Projected[3]	14.0%	300,000	16,547	5.8%
2024-25 Projected[3]	14.0%	323,454	23,454	7.8%

[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 2019-20 through fiscal year 2022-23 are actuals.

[3] Projected amounts are from the March 2024 Joint Report.

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.

RPTT revenue for fiscal year 2022-23 was $186.3 million, a $334.1 million (64.2%) decrease from fiscal year 2021-22. The projection for fiscal year 2023-24 in the March 2024 Joint Report is $188.3 million, an increase of $2.1 million (1.1%) from fiscal year 2022-23. The fiscal year 2024-25 projection is $218.9 million, an increase of $30.5 million (16.2%) from fiscal year 2023-24. 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 fiscal year 2023-24 and 2024-25 forecasts slowly increase from fiscal year 2022-23 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	186,247	(334,112)	-64.2%
2023-24 Projected[2]	188,315	2,068	1.1%
2024-25 Projected[2]	218,845	30,530	16.2%

[1] Figures for fiscal year 2019-20 through fiscal year 2022-23 are actuals.

[2] Projected amounts are from the March 2024 Joint Report.

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

Sales and Use Tax

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

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

TABLE A-14

San Francisco's Sales & Use Tax Rate

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

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

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

The local sales tax (the 1% portion) revenue in fiscal year 2022-23 is $197.9 million, an increase of $9.6 million (5.1%) from fiscal year 2021-22. The March 2024 Joint Report projection for fiscal year 2023-24 is $188.7 million, a decrease of $9.3 million (4.7%) from the fiscal year 2022-23 actual. The fiscal year 2024-25 projection is $193.7 million, an increase of $5.0 million (2.7%) from the fiscal year 2023-24 projection. The entirety of sales tax revenue is recorded in the General Fund.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point-of-sale purchases.

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	8.625%	1.00%	197,911	9,574	5.1%
2023-24 Projected[2]	8.625%	1.00%	188,649	(9,262)	-4.7%
2024-25 Projected[2]	8.625%	1.00%	193,693	5,044	2.7%

1 Figures for fiscal year 2019-20 through fiscal year 2022-23 are actuals.

2 Projected amounts are from the March 2024 Joint Report.

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax ("UUT") - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – As of July 1, 2023, a charge of $3.96 on every telecommunications line, $29.79 on every trunk line, and $536.32 on every high-capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Proposition V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between $0.25 and $1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Proposition D). The tax was originally slated to go into effect on January 1, 2021, but the Board has delayed the imposition of the tax several times. The cannabis tax will now take effect beginning January 1, 2026.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

- Overpaid Executives Tax – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses' highest-paid managerial employee compared to the median compensation paid to the businesses' employees based in the City exceeds a ratio of 100:1. The measure took effect on January 1, 2022 for tax year 2022, so revenues were first received in fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, large annual fluctuations in the value and form of executive compensation, which typically includes equity, and tax-avoidance risk associated with tax increases. Estimates based on prior years' activity may not be predictive of future revenues. Fiscal year 2022-23 revenue was $206.0 million and the projection for both 2023-24 and 2024-25 is $120.0 million per year.

Table A-16 reflects the City's actual tax receipts for fiscal years 2019-20 through 2022-23 and projections 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— Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions " for a summary of the most recent projections.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2019-20 through 2024-25
General Fund
(000s)

Tax	2019-20 Actuals[1]	2020-21 Actuals[1]	2021-22 Actuals[1]	2022-23 Actuals[1]	2023-24 Projected[2]	2024-25 Projected[2]
Utility Users Tax	$94,231	$81,367	$105,225	$110,661	$118,500	$110,700
Access Line Tax	49,570	44,700	55,710	53,171	64,290	53,730
Parking Tax	69,461	47,555	71,122	82,716	84,800	86,900
Sugar Sweetened Beverage Tax	13,182	10,435	11,973	12,870	12,700	12,700
Stadium Admissions Tax	2,730	182	4,615	5,984	7,400	7,400
Cannabis Tax	N/A	N/A	N/A	N/A	-	-
Franchise Tax	16,028	14,898	15,494	16,940	16,450	16,240
Overpaid Executives Tax	N/A	N/A	N/A	206,041	125,000	140,000

[1] Figures for fiscal year 2019-20 through fiscal year 2022-23 are actuals.

[2] Projected amounts are from the March 2024 Joint Report.

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

The City receives allocations of State sales tax and VLF revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.

- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-17 reflects the City's actual receipts for fiscal years 2019-20 through 2022-23 and projection 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 2019-20 through 2024-25
($millions)

Tax	2019-20 Actuals[1]	2020-21 Actuals[1]	2021-22 Actuals[1]	2022-23 Actuals[1]	2023-24 Projected[2]	2024-25 Projected[2]
Health and Welfare Realignment						
General Fund	$219.6	$188.9	$283.5	$290.7	$276.0	$283.6
Hospital Fund	54.1	48.1	67.1	67.9	63.1	63.6
Total - Health and Welfare	**$273.7**	**$237.1**	**$350.6**	**$358.6**	**$339.1**	**$347.2**
Backfill Realignment[3]						
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	$54.1	$55.4
Public Safety Sales Tax (Prop 172) (General Fund)	$103.9	$105.0	$ 93.8	$ 94.9	$98.1	$99.6

1 Figures for fiscal year 2019-20 through fiscal year 2022-23 are actuals.

2 Projected amounts are from the March 2024 Joint Report.

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

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

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CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

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

TABLE A-18

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

Major Service Areas	2019-20 Final Budget[1]	2020-21 Final Budget[1]	2021-22 Final Budget[1]	2022-23 Final Budget[1]	2023-24 Original Budget[2]	2024-25 Original Budget[2]
Public Protection	$1,493,240	$1,505,780	$1,586,264	$1,681,489	$1,747,204	$1,779,540
Human Welfare & Neighborhood Development	1,270,530	218,986	1,571,761	1,621,981	1,604,163	1,615,373
Community Health	1,065,051	1,605,573	1,119,891	1,118,010	1,125,977	1,157,023
General Administration & Finance	332,296	1,158,599	353,518	351,738	345,406	357,335
Culture & Recreation	161,274	147,334	161,417	180,475	201,453	202,539
General City Responsibilities	137,851	332,997	159,299	201,959	184,513	237,146
Public Works, Transportation & Commerce	216,824	126,993	244,365	275,941	242,912	233,446
Total[2]	$4,677,066	$5,096,262	$5,196,515	$5,431,593	$5,451,628	$5,582,402

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

2 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—which is primarily responsible for City jails rather than law enforcement. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 reflects fiscal year 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 in the 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 40,455 full-time and part-time budgeted City positions. City workers are represented by 36 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"); the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"); and the unions representing Police, Fire, Deputy Sheriffs, and Transit Workers.

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

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

Further, the City Charter requires binding arbitration to resolve negotiations in the event of an impasse. If an impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Registered Nurses and a small group of unrepresented employees, whose working conditions and compensation are established annually by ordinance. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits.

Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter. On July 24, 2023, the California Public Employment Relations Board ("PERB") ruled in favor of SEIU and IFPTE, concluding that City Charter sections A8.346 and A8.409 prohibiting strikes by City employees are invalid, affirming an earlier ruling of an administrative law judge that such City Charter provisions violate the Meyers-Milias-Brown Act. The City has filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. The City can give no assurance whether the appeal will be successful.

In 2023, the City negotiated a 2.5% base wage increase with labor organizations representing sworn members of the Police and Fire departments due on July 1, 2023 and 2.25% on January 6, 2024. For fiscal

year 2024-25, the parties agreed to a base wage increase of 3.0% on January 4, 2025 with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2024-25, as projected in the March 2024 Joint Report, exceeds $300 million. The March 2024 Joint Report forecasted a deficit $235.9 million, below the $300 million threshold. Therefore no wage delay is expected. For fiscal year 2025-2026, the parties agreed to a base wage increase of 3.0% on July 1, 2025 with a provision to delay the increase by one year if the City's budget deficit for fiscal year 2025-26, as projected in the March 2025 Joint Report, exceeds $300 million. See "CITY BUDGET—Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions" for a summary of the March 2024 Joint Report. 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.

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 January 2024, the City and MTA commenced bargaining 36 successor MOUs with 33 labor unions with negotiated wage increases potentially coming into effect on July 1, 2024. The City and MTA expect to reach agreements with these labor unions on or prior to June 30, 2024.

One of the key assumptions in the March 2024 Joint Report was that wages under all open labor contracts would increase during the Five-Year Plan projection period at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI. The City has been actively negotiating the 36 MOUs with the 33 labor unions that have open contracts. The City's Administrative Code requires the submission of new MOUs to the Board of Supervisors by May 15, 2024. Based on tentative agreements, the City anticipates that the MOUs expected to be proposed to the Board will have increases that exceed the CPI assumptions assumed in the March 2024 Joint Report. Unless the City takes other corrective actions, such MOUs would increase the structural deficits projected in the Five-Year Plan.

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TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of February 1, 2024

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	7,396	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	
	40,455	

San Francisco Employees' Retirement System

History and Administration

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2023 is 46,657, compared to 45,284 as of July 1, 2022. Active membership as of July 1, 2023 includes 11,461 terminated vested members and 1,180 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as California Public Employees' Retirement System ("CalPERS") and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 32,104 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-21 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2019 through July 1, 2023. The number of retirees supported by each active member can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the Retirement System. In particular, if the ratio of retirees to active members grows, it indicates that any actuarial losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. The ratio for SFERS had been relatively stable but increased modestly in 2021 and again in 2022 with the two-year decline in number of active members. Although the City has been actively filling vacant positions, the ratio remains elevated above pre-pandemic levels.

TABLE A-21

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

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Retiree to Active Ratio
2019	34,202	8,911	1,044	44,157	29,490	0.86
2020	34,521	9,478	1,071	45,070	30,128	0.87
2021	33,644	10,066	1,060	44,770	30,854	0.92
2022	33,199	11,066	1,019	45,284	31,719	0.96
2023	34,016	11,461	1,180	46,657	32,104	0.94

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

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

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

The Board adopted the current demographic assumptions at its December 9, 2020 Retirement Board meeting based on the experience study dated August 12, 2020. The current discount rate of 7.20% was adopted at the November 10, 2021 Board meeting, effective for the July 1, 2021 actuarial valuation. The Board voted to maintain these assumptions for the 2022 and 2023 actuarial valuations at its November 17, 2022 and November 8, 2023 meetings, respectively. In the long term, the true cost of a pension plan is determined by actual results and not by assumptions.

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

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financial statements and actuarial reports may be found on the Retirement System's website, www.mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Annual Valuation and Employer Contribution History

Table A-22 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as total contributions for the last five fiscal years ending June 30, 2023. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

TABLE A-22

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.

Note that at the July 1, 2023 valuation date, the market percent funded ratio is slightly lower than the actuarial percent funded ratio, reflecting net asset returns lower than the long-term rate of return assumptions that have not yet been recognized in the smoothed actuarial value of assets. The Retirement

System's investment portfolio return was 33.7% in fiscal year 2020-21, -2.9% in fiscal year 2021-22, and 4.3% in fiscal year 2022-23. Global markets remain volatile due to continued uncertainty about tighter monetary policy, interest rates, inflation, and geopolitical risk.

The actuarial liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy. The most recent actuarial audit was completed in July 2023.

The fiscal year 2022-23 employer contribution rate was 21.35% (estimated to be 18.76% after cost-sharing). The 2022-23 fiscal year City employer contributions to the Retirement System were $679.0 million, which includes $404.8 million from the General Fund. The fiscal year 2023-24 employer contribution rate is 18.24% (estimated to be 16.12% after cost-sharing), with a total budget of $620.9 million, which includes $381.7 million from the General Fund. The continued declines in the contribution rate reflect the completion of prior amortization layers and the five-year phase-in of investment gains from fiscal year 2020-21, offset by the impact of lower investment returns in fiscal years 2021-22 and 2022-23. Employer contribution rates anticipate annual increases in pensionable payroll of 3.25%. As discussed under "CITY BUDGET –Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions ", increases in retirement costs are projected in the City's Five-Year Financial Plan.

Risks to City's Retirement Plan

In its July 2023 actuarial report, Cheiron identifies three primary risks to the Retirement System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental cost of living adjustment ("COLA") risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future supplemental COLAs to increase contribution rates.

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

Cheiron's July 2023 report provides stress testing of the supplemental COLA provision and shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk with contributions remaining very close to baseline and a relatively stable funded status.

Governmental Accounting Standards Board ("GASB") Disclosures

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

Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return since fiscal-year end 2015. The third distinct difference is that Total Pension Liability includes a provision for supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only supplemental COLAs that have already been granted as of the valuation date.

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

TABLE A-23

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

As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate %	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2019	$ 30,555,289	7.40%	$ 26,078,649	85.3%	$ 4,476,640	$ 4,213,807
2020	32,031,018	7.40%	26,620,218	83.1%	5,410,800	5,107,271
2021	33,088,765	7.40%	35,673,834	107.8%	(2,585,069)	(2,446,563)
2022	35,489,639	7.20%	32,798,524	92.4%	2,691,115	2,552,997
2023	37,332,835	7.20%	33,688,428	90.2%	3,644,407	3,456,687

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

NPL can be quite volatile. The increase in NPL at fiscal year-end 2020 was due to lower-than-expected investment returns. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during that year, while the increase at fiscal year-end 2022 is due to both the -2.9% return and the reduction in discount rate from 7.4% to 7.2%. NPL increased again at year-end 2023 due to asset returns below the long-term assumed rate, the November 2022 Charter amendment that increased the June 30, 2023 TPL by $59 million, and differences between expected and actual demographic assumptions including salary increases.

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the

institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real assets, absolute return strategies (including hedge funds), and an array of alternative investments including private equity, venture capital limited partnerships, and private credit.

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2023 was 8.48%. For the ten-year and twenty-year periods ending June 30, 2023, annualized investment returns were 9.05% and 8.36% respectively.

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

Voter Approved Changes to the Retirement Plan

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

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2023, the audited market value of Retirement System assets was $33.7 billion. As of January 31, 2024, the estimated value of SFERS' investment portfolio 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 System Trust Fund. This report may be obtained through the SFHSS website at sfhss.org, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103. Audited annual financial statements for prior years are posted to the SFHSS website, however the

information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB Trust Fund"). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* ("GASB 75"), which apply to OPEB Trust Funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding post-employment healthcare benefits ("OPEB") in a separate fund, the Retiree Health Care Trust Fund ("RHCTF") for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

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

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

City Contribution for Retirees

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

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

Health Care Reform

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

Three ACA taxes 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% 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 2022-23, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $874 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $738 million; approximately $215 million of this $738 million amount was for health care benefits for approximately 24,269 retired City employees and their eligible dependents, and approximately $523 million was for benefits for approximately 32,023 active City employees and their eligible dependents.

The 2023 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 2.9%. The increase is favorable compared to benchmarks due to several factors including contracting by SFHSS that maintains competition among the health plans, implementing value-based models such as Accountable Care Organizations, use of generic prescription, and implementing flex-funded plans using narrow networks. Flex-funding eliminates the typical margins added by health plans; however, more risk is assumed by the city, and reserves are required to protect against this risk.

Post-Employment Health Care Benefits

The eligibility of former City employees for retiree health care benefits ("OPEB Benefits") and City and employee contributions to the Retiree Health Care Trust Fund ("RHCTF") are governed by the Charter (Section A8.432(a-b)). San Francisco voters have passed three different propositions to set these eligibility and contribution requirements: Proposition B passed on June 3, 2008; Proposition C passed on November 8, 2011; and Proposition A passed on November 5, 2013.

Employees hired before January 10, 2009, and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. OPEB Benefit coverage and the City's required contributions for employees hired on or after January 10, 2009, is described above under "Medical Benefits: City Contribution for Retirees". Unlike employee pension contributions that are made to individual accounts, contributions to the RHCTF are non-refundable, even if an employee separates from the City and does not receive OPEB Benefits from the City.

Employee and City contributions to the RHCTF are a fixed percentage of pay that varies depending on the employee's hire date, the year in which the payment is made, and whether the RHCTF is fully funded. Employees hired before January 10, 2009, are required to make contributions equal to 1% of their salary to the RHCTF and employees hired on or after January 10, 2009, are required to make contributions equal to 2% of their salary. The City pays all OPEB Benefits on a pay-as-you-go basis each year and is required to contribute an amount equal to 1% of total pay to the RHCTF.

The City may not make disbursements from the RHCTF until it is fully funded, subject to the following exception. If the sum of the City's annual RHCTF contributions and OPEB Benefit payments (together, the "OPEB Cost") is projected to exceed 10% of payroll, the RHCTF Board may authorize stabilization disbursements from the RHCTF to the extent necessary to reduce the City's OPEB Cost to 10% of payroll provided that such stabilization disbursement does not exceed 10% of the balance in the RHCTF as of the prior year. The City has never had to make a disbursement from the RHCTF, and OPEB Cost as a percentage of payroll for fiscal year 2022-23 was 6.2%.

GASB 75 Reporting Requirements

In June 2015, GASB issued GASB 75. GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for fiscal year 2017-18. According to GASB's Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its OPEB Benefits obligation at least once every two years. As of the measurement date of June 30, 2022 (issued December 2023), used in the most recent actuarial valuation report dated June 30, 2022, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 16.5%. This reflects the net position of the RHCTF in the amount of $739.9 million divided by the total OPEB liability of $4.5 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was $4.18 billion, and the ratio of the Net OPEB liability to the covered payroll was 89.5%.

Under GASB 75, the annual OPEB Expense can be calculated as the change in the City's Net OPEB liability plus the changes in deferred outflows and inflows plus employee contributions. As stated above, employee and City contributions to the RHCTF are set by the Charter and are not actuarially determined. The annual OPEB Expense is included in the five-year trend information displayed in Table A-24 below purely for informational purposes.

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TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Post-Employment Health Care Benefits
Fiscal Years 2018-19 to 2022-23
(000s)

Fiscal Year	(A) Paygo Benefit Payments	(B) Trust Contributions	(A + B = C) Annual OPEB Cost	(D) Annual OPEB Expense	(C / D = E) Annual OPEB Cost as % of Annual OPEB Expense	Plan Fiduciary Net Position	Plan Fiduciary Net Position as % of TOL	Net OPEB Liability
2018-19	$185,839	$32,786	$218,625	$320,331	68.2%	$255,964	6.6%	$3,600,967
2019-20	196,445	39,518	235,963	330,673	71.4%	366,602	8.6%	3,915,815
2020-21	206,439	39,555	245,994	320,684	76.7%	488,989	11.3%	3,823,335
2021-22	211,025	41,841	252,866	272,001	93.0%	718,777	16.3%	3,691,121
2022-23	215,408	45,241	260,649	256,974	101.4%	739,880	16.5%	3,746,270

Source: Postretirement Health Plan GASB 74/75 Reports produced by Cheiron in November 2019, December 2021, and December 2023

Total City Employee Benefits Costs

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

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

TABLE A-25

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

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

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

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

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

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee 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 September 2023, is included as an Appendix to this Official Statement.

Investment Portfolio

As of March 31, 2024, the City's surplus investment fund consisted of the investments classified in Table A-26 and had the investment maturity distribution presented in Table A-27.

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TABLE A-26

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of March 31, 2024

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$3,560,000,000	$3,551,232,784	$3,392,062,350
Federal Agencies	6,812,567,000	6,803,995,517	6,670,701,083
Public Time Deposits	40,000,000	40,000,000	40,000,000
Negotiable Certificates of Deposit	2,080,000,000	2,080,000,000	2,081,723,400
Commercial Paper	1,175,500,000	1,164,067,507	1,163,558,940
Money Market Funds	1,688,331,927	1,688,331,927	1,688,331,927
Supranationals	607,714,000	608,099,367	595,113,602
Total	$15,964,112,927	$15,935,727,102	$15,631,491,302

March Earned Income Yield: 3.552%

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

TABLE A-27

Pooled Funds
As of March 31, 2024

Maturity in Months			Par Value	Percentage
0	to	1	2,288,300,927	14.33%
1	to	2	576,000,000	3.61%
2	to	3	1,011,645,000	6.34%
3	to	4	1,396,000,000	8.74%
4	to	5	565,000,000	3.54%
5	to	6	705,000,000	4.42%
6	to	12	2,276,781,000	14.26%
12	to	24	2,980,578,000	18.67%
24	to	36	2,905,653,000	18.20%
36	to	48	654,655,000	4.10%
48	to	60	604,500,000	3.79%
			$15,964,112,927	100.00%

Weighted Average Maturity: 347 Days

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

Further Information

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

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee (the "CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the MTA, the General Manager of the SFPUC, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port. To help inform CPC recommendations, the CPC staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year.

The fiscal years 2024-2033 Capital Plan (the "Adopted Capital Plan") was approved by the CPC on February 27, 2023 and was adopted by the Board of Supervisors on May 9, 2023. The Adopted Capital Plan contains $41.4 billion in capital investments over the coming decade for all City departments, including $5.8 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes $2.2 billion for General Fund pay-as-you-go capital projects 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 MTA facilities, seawall strengthening, terminal 1 and 3 upgrades at San Francisco International Airport, water, sewer, and power enterprise improvements, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $8.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by general obligation bonds, federal and State funds, user/operator fees, General Fund and other sources.

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

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds" or "GO bonds") can only be authorized with a two-thirds approval of the voters. As of March 15, 2024, 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 March 15, 2024 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2023-24	$179,681,206	$52,378,893	$232,060,099
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	**$2,587,797,632**	**$891,221,965**	**$3,479,019,597**

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

[2] Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

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

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

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

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

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

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

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

In March 2024, voters approved Proposition A ("2024 Affordable Housing Proposition"), which authorized the issuance of up to $300.0 million in general obligation bonds to construct, develop, acquire, and/or rehabilitate housing, including workforce housing and senior housing, that will be affordable to households ranging from extremely low-income to moderate-income households. No series have yet been issued under the 2024 Affordable Housing Proposition authorization.

Refunding General Obligation Bonds

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

TABLE A-29

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

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.

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

Table A-30 on the following page lists for each of the City's voter-authorized general obligation bond programs, the amounts issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of March 15, 2024, the City had authorized and unissued general obligation bond authority of approximately $1.6 billion.

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TABLE A-30

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

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	$350,000,000	1994A	$35,000,000	$0	
			2007A	$30,315,450	$12,172,632	[2]
			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	11/4/08	$887,400,000	2009A	$131,650,000	-	
Earthquake Safety			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
Affordable Housing Bond	3/5/24	$300,000,000	-	-	-	$300,000,000
SUBTOTAL		$6,278,700,000		$4,721,170,450	$1,847,032,632	$1,557,529,550

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		**$5,715,765,450**	**$2,587,797,632**	**$1,557,529,550**

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

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

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

General Fund Lease Obligations

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

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

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TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO

Debt Service on Lease Revenue Bonds and Certificates of Participation

As of March 15, 2024 [1] [2]

Fiscal Year	Principal	Interest [3]	Annual Payment Obligation
2023-24[4]	$50,794,859	$30,534,157	$81,329,016
2024-25	79,838,037	67,968,834	147,806,871
2025-26	80,678,229	64,051,901	144,730,130
2026-27	81,393,731	60,044,623	141,438,354
2027-28	76,975,000	56,122,088	133,097,088
2028-29	80,585,000	52,306,857	132,891,857
2029-30	84,180,000	48,468,378	132,648,378
2030-31	77,715,000	44,834,252	122,549,252
2031-32	71,230,000	41,728,903	112,958,903
2032-33	72,760,000	38,882,054	111,642,054
2033-34	75,675,000	35,809,322	111,484,322
2034-35	69,300,000	32,822,984	102,122,984
2035-36	70,035,000	29,741,730	99,776,730
2036-37	70,215,000	26,601,895	96,816,895
2037-38	73,185,000	23,436,258	96,621,258
2038-39	76,295,000	20,129,690	96,424,690
2039-40	79,550,000	16,664,028	96,214,028
2040-41	82,965,000	13,031,637	95,996,637
2041-42	69,120,000	9,397,161	78,517,161
2042-43	34,860,000	6,460,456	41,320,456
2043-44	34,525,000	4,800,706	39,325,706
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]	**$1,581,734,857**	**$735,766,115**	**$2,317,500,972**

[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 Bonds[1]
As of March 15, 2024 [1] [2]

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	129,550,000	124,975,000
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	19,195,000
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	57,935,000
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
Series 2023A - Taxable (Affordable Housing and Community Facilities Projects)	2043	103,410,000	103,410,000
Series 2023B (Multiple Capital Improvement Projects)	2043	80,040,000	80,040,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		**$1,722,975,000**	**$1,486,740,000**
LEASE PURCHASE FINANCINGS			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	$22,549,489	$4,368,454
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	10,861,403
SUBTOTAL LEASE PURCHASE FINANCINGS		**$56,733,625**	**$15,229,857**
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		**$1,995,633,625**	**$1,581,734,857**

[1] Excludes commercial paper and California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) ($26,485,000)

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

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, Series 2021A, Series 2023A, and Series 2023B, 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 issuance. 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, Sunnydale, and Potrero Terrace and Annex housing developments. The City anticipates issuing the first long-term COPs under this authorization in fiscal year 2024-25.

Department of Public Health Facilities Improvements: In November 2020, the Board authorized and the Mayor approved the issuance of not to exceed $157.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance projects for the Department of Public Health ("DPH"), including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project. The City anticipates issuing the long-term COPs 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 funded $31.9 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

Critical Repairs, Recovery Stimulus and Street Repaving Projects (FY2023): In July 2022, the Board authorized and in August 2022 the Mayor approved the issuance of not to exceed $140.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of (a) street repaving and reconstruction, (b) critical repairs, including renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and (c) local economic stimulus projects. The City funded $48.4 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

Affordable Housing and Community Development Projects: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed $146.8 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvement, affordable housing and community facility development projects. The City funded $102.0 million in project funds for this authorization as part of the Certificates of Participation, Series 2023A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

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. The City anticipates issuing the first series of Refunding COPs under the authorization as the 2024-R1 COPs.

Critical Repairs and Street Repaving Projects (FY2024): In September 2023 the Board authorized and the Mayor approved the issuance of not to exceed $77.2 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City expects to issue its first series of long-term COPs in fiscal year 2024-25.

Treasure Island Stage 2 Certificates of Participation. In March 2024, legislation amending the Development Agreement and Disposition and Development Agreement for the Treasure Island development project was introduced to the Board of Supervisors. This amendment included a proposal for the City to issue Certificates of Participation to fund $115 million in infrastructure improvements

related to Stage 2 of the Treasure Island development project. If approved, the City would expect to issue its first series of long-term COPs in fiscal year 2024-25.

Commercial Paper Program

In March 2009, the Board of Supervisors authorized and the Mayor approved a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). In July of 2013, the Board of Supervisors authorized, and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million.

Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles. Projects are eligible to access the CP Program once the Board of Supervisors and the Mayor have approved the project and the long-term, permanent financing for the project.

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by a $150 million revolving credit agreement with Wells Fargo, which expires in March 2026.

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

As of March 15, 2024, the outstanding principal amount of CP Notes is $37.1 million. The interest rate for the $22.6 million outstanding tax-exempt CP Notes is 3.40%. The interest rate for the $14.5 million outstanding taxable CP Notes is 5.50%. The projects with Board of Supervisors 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 3/15/2024
Housing Trust Fund	$9,241,053
HOPE SF	3,502,044
DPH Facilities Improvements	21,727,121
Critical Repairs & Recovery Stimulus	1,712,903
Police Vehicle Acquisition	716,123
HOJ Relocation – Tenant Improvements	196,756
TOTAL	**$37,096,000**

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of March 15, 2024, sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-

City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

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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 March 15, 2024

2023-24 Assessed Valuation (includes unitary utility valuation):	$344,487,688,208 [1]
GENERAL OBLIGATION BONDED DEBT	
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
LEASE OBLIGATIONS BONDS	
San Francisco City and County	$1,581,734,857
TOTAL LEASE OBLIGATION BONDED DEBT	$1,581,734,857 [2]
TOTAL COMBINED DIRECT DEBT	$5,595,082,489
OVERLAPPING TAX AND ASSESSMENT DEBT	
Bay Area Rapid Transit District General Obligation Bond (33.728%)	$824,843,536
San Francisco Community Facilities District No. 6	119,775,000
San Francisco Community Facilities District No. 7	28,370,000
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	100,000,000
San Francisco Special Tax District No. 2020-1 Mission Rock Facilities	152,125,000
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	$1,811,981,688
OVERLAPPING TAX INCREMENT DEBT:	
Successor Agency to the San Francisco Redevelopment Agency	$783,288,007
Transbay Joint Powers Authority	230,535,000
TOTAL OVERLAPPING INCREMENT DEBT	$1,013,823,007
OVERLAPPING TAX INCREMENT REVENUE DEBT:	
San Francisco Infrastructure and Revitalization Financing District No. 1	$38,135,000
TOTAL OVERLAPPING INCREMENT DEBT	$38,135,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$8,459,022,184 [3]

Ratios to 2023-24 Assessed Valuation ($344,487,688,208)	**Actual Ratio**
Direct General Obligation Bonded Debt ($4,013,347,632)	1.17% [4]
Combined Direct Debt ($5,595,082,489)	1.62%
Total Direct and Overlapping Bonded Debt	2.46%
Ratio to 2023-24 Redevelopment Incremental Valuation ($44,580,507,946)	
Total Overlapping Tax Increment Debt	2.27%

[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 the issue to be sold.

[4] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY23-24 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 XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

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

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

Proposition 1A

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

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increases a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment

agencies to shift funds to schools or other agencies (but see "THE SUCCESSOR AGENCY" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

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

Proposition 26

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

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

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

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Ongoing Investigations

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

Mr. Nuru resigned from employment with the City in January 2021. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or

controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

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

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

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

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

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

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

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to a bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined $15,200. In July 2023, a jury convicted Mr. Kelly of wire fraud and bank fraud, and Mr. Kelly was sentenced to four years in prison and fined $10,000. The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.

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

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

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

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

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

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

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

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division of the City Administrator's Office. With certain exceptions, it is the general policy of the City to first evaluate self-insurance and not purchase commercial liability insurance for the risks of losses to which it is exposed. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors. For property insurance, these factors include whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, SFPUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement. In recent years, the City has purchased Cyber Liability insurance for departments and certain enterprise fund departments providing critical City services and/or managing high volumes of confidential/personal data.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the ACFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

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

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

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, XIIIA, XIIIC and XIIID of the California Constitution to further limit the authority of local governments, including the City, 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 XIIIC 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 XIIIC by Proposition 26, including property-related fees imposed in accordance with Article XIIID (see "—Articles XIIIC and XIIID 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 XIIIC 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

Greg Wagner
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: Anna Van Degna, Director of the Controller's Office of Public Finance
Antonio Guerra, San Francisco Recreation & Parks

DATE: **June 25, 2024**

SUBJECT: Ordinance Authorizing Issuance of Certificates of Participation, Series 2024A (Music Concourse Garage) in an amount Not-to-Exceed $29,000,000

Executive Summary

We respectfully request that the Board of Supervisors (the "Board") review and consider for passage the ordinance to 1) authorize the execution and delivery of Series 2024A Certificates of Participation ("Certificates" or "COPs") in an amount sufficient to enable the City to terminate the ground lease and acquire the Music Concourse Garage ("the Garage"), which is currently owned and operated by the Music Concourse Community Partnership ("MCCP"); (2) approve the transfer of the Garage from the MCCP to the City under the jurisdiction of San Francisco Recreation and Parks Department ("RecPark"); (3) allow RecPark to use Garage revenues to pay for Garage expenses; (4) authorize the Mayor, Treasurer, Controller, Director of Public Finance, the RecPark General Manager and Director of Transportation as may be deemed appropriate to approve and execute any documents, and take any other action needed to complete the foregoing, provided they do not materially increase the obligations or reduce the rights of the City.

Background

The Music Concourse Garage is an 800-space underground parking facility located in Golden Gate Park ("GGP") that serves visitors to GGP and institutions located in GGP, such as the California Academy of Sciences and the De Young Museum. As authorized by Proposition J (June 1998), the City set aside land in GGP for the Garage and placed the land under the jurisdiction of the Golden Gate Park Concourse Authority ("GGPCA"), a non-profit corporation controlled by the City. In 2003, the GGPCA and RecPark together executed a ground lease (as amended, "the Lease") of the land

to the Music Concourse Community Partnership ("MCCP"), a private non-profit organization, so that the MCCP could construct and operate the Garage. The MCCP raised approximately $40 million from private donations, took out loans to cover the remainder of the $55 million needed to construct the Garage, and completed construction and opened the Garage to the public in 2005. The MCCP uses revenues from the Garage to cover its operating costs, including the cost of repaying the construction debt. The MCCP is required to repay the construction debt on a set amortization schedule, and when the construction debt is fully repaid, the Lease will terminate and the Garage will transfer automatically to RecPark.

In November 2022, the voters approved Proposition N, which authorized the City to use public funds to acquire and operate the Garage. Since then, RecPark staff have consulted with MCCP, the San Francisco Municipal Transportation Agency ("SFMTA") and the Controller's Office of Public Finance ("OPF") and have determined that the City can efficiently and economically manage the Garage. To fund the City's acquisition of the Garage, we are respectfully seeking approval to authorize the issuance of Certificates of Participation in an amount not to exceed $29.0 million.

As further described in the Plan of Finance below, funds raised by the issuance of the Certificates will be used to fund reserves, issuance costs, and a payment to MCCP for the transfer of the garage. The payment to MCCP will be an amount equal to the (i) the outstanding balance of the First Republic Debt (currently outstanding in the amount of $21,470,000) plus accrued interest, less the balance of the First Republic Reserve (which is currently approximately $1.1 million) plus (ii) $500,000. MCCP will use the funds to redeem the outstanding First Republic Debt, and together with other MCCP funds on hand, MCCP will pay the De Young Museum and the California Academy of Sciences $825,000 each to reimburse for loans and discounted interest (for a total of $1.65 million).

It is anticipated that the operation of the Garage will be managed on behalf of RecPark by SFMTA, through SFMTA's existing contract with IMCO Parking, LLC ("IMCO"). IMCO operates all other City-owned parking garages. In order to add the Garage to the contracted scope of work, SFMTA seek Board of Supervisors approval to add the Garage to its existing parking facilities management contract with IMCO, Contract No. SFMTA-2021-64/2, which was approved by the Board in November of 2022 (Resolution No. 474-22). Following the acquisition of the Garage, the City will receive the revenues of the Garage and reimburse SFMTA's administrative costs to oversee Garage operations and management. RecPark and SFMTA anticipate that the transfer of management of the Garage to IMCO will not disrupt Garage operations, as IMCO and the current operator, Imperial Parking, LLC, are affiliated and have nearly the same management team.

Plan of Finance

The proposed Ordinance authorizes the execution and delivery of one or more series of taxable or tax-exempt COPs in an aggregate principal amount not-to-exceed $29,000,000 for the City acquire the Garage, with certain obligations associated with the construction of the Garage being defeased concurrently.

Based on the cost estimates and timing for the acquisition, OPF anticipates issuing a total of $24,360,000 in COPs, though the final amount will be based on prevailing market conditions at the expected time of sale. The difference between the expected issuance amount and the $29,000,000 not-to-exceed amount provides for an allowance for market fluctuations until the sale of the COPs, potential increased deposits to the debt service reserve fund or capitalized interest cost, uncertainty regarding MCCP cash balances available to pay subordinate obligations between now and transaction close, and possible additional delivery date expenses.

Commercial Paper: The Ordinance authorizes the use of the City's commercial paper program ("CP Program"), which was launched in June 2010 pursuant to Resolution No. 85-09 and Resolution No. 136-10, as an interim financing mechanism. Pursuant to Resolution No. 247-13 approved in July 2013, the City's total CP Program authorization is $250.0 million, of which $55.1 million is currently unencumbered.

Based upon an estimated 5.09% all-in true interest cost and an anticipated total par value of $24.36 million, the total principal and interest payments over the approximate 25-year term of the COPs is estimated to be approximately $42.41 million. Depending upon market conditions expected at the time of the sale, the COPs could be structured with up to a 35-year term. **Table 1** below outlines anticipated sources and uses for the COPs, based on estimates determined by the Office of Public Finance:

Table 1: Estimated Sources & Uses of the Proposed Series 2024A COPs (Music Concourse Garage)

Sources:	
Music Concourse Garage COP Series 2024A Proceeds	
Not-To-Exceed Par Amount	$29,000,000
Prior Reserve Fund	$1,100,000
Total Sources	**$30,100,000**
Uses:	
Project Funds	
First Republic Debt Payoff	$21,600,000
Museum Loan Payoff	$500,000
Capitalized Interest	$1,000,000
Debt Service Reserve Fund	$2,450,000
Delivery Date Expenses	
Cost of Issuance	$1,050,000
Underwriter's Discount	$240,000
Total Projected Uses	**$26,840,000**
Plus: Reserve for Market Uncertainty	*$3,260,000*
Total Uses (including Prior Reserve Fund)	**$30,100,000**

For good faith estimates required by Code Section 5852.1 of the California Government Code regarding the proposed financing, see **Attachment A**. The information set forth in **Attachment A** is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change before debt issuance.

The anticipated debt service associated with the delivery and execution of the 2024A COPs is intended to be offset by revenues collected through the operation of the Garage, and so is considered to be outside the City's Capital Plan policy of limiting General Fund debt service payments at or below 3.25% of General Fund Discretionary Revenue.

OPF will seek Board approval of a separate Supplemental Appropriation Ordinance to appropriate the COP proceeds, as well as Garage revenues and debt service expenditures. This Ordinance is expected to be introduced concurrently with the SFMTA contract amendment Resolution at the Board meeting of July 30, 2024.

Key Terms and Documents

Under the proposed Ordinance, the relevant City officials are authorized to enter into an agreement on behalf of the City regarding transfer of the Garage and Garage operations to the City upon the issuance of the Certificates, consistent with the terms of the Ordinance and the Ground Lease, and to enter into one or more escrow agreements, as necessary. The Ordinance will also approve the issuance of the Series 2024A COPs using a lease-lease back structure between the City and a third-party trustee pursuant to a Property Lease, Lease Agreement, and Trust Agreement, through which the City will lease to the trustee the Garage property, and/or other property designated by the Director of Public Finance, and the trustee will lease the Leased Property back to the City in exchange for base rental Payments. Forms of certain financing documents are included in the Board file for legislative review and approval.

Property Lease and Lease Agreement: Pursuant to the Property Lease, the City leases a City-owned property to a third party trustee. Pursuant to the Lease Agreement, the City leases back the leased property, together with the improvements financed with proceeds of the Certificates, from the third-party trustee. The City makes annual base rental payments to the third-party trustee in amounts required to repay the Certificates. When the Certificates are finally paid, the Property Lease and the Lease Agreement terminate. The City's General Fund is the source of repayment of the Certificates.

Trust Agreement: Pursuant to the Trust Agreement between the City and a third-party trustee acting on behalf and for the benefit of Certificates holders, the trustee administers and disburses Certificate payments and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of the Certificates, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The trustee holds proceeds derived from the sale of the Certificates and disburses payments for the costs incurred for the Project, as directed by authorized City representatives. The ordinance delegates selection of the third-party trustee to the Director of Public Finance, and the trustee will be selected based on the lowest fees and other considerations via a competitive request for proposal.

The Trust Agreement between the City and the trustee requires that the base rental payments be deposited semi-annually in the base rental fund maintained by the trustee. The trustee will apply such amounts as is necessary to make base rental payments with respect to the Certificates.

The Leased Property: It is anticipated that the Garage will serve as the Leased Property (the 'Leased Property") for the Certificates.

The Property Lease and Lease Agreement between the City and trustee requires the City to make base rental payments semi-annually during the term of the lease in an amount sufficient to pay total base rental payments when due.

Additional Documents

The forms of other related financing documents—including the Preliminary Official Statement, Purchase Contract, Official Notice of Sale and Notice of Intention to Sell, Appendix A, the Continuing Disclosure Certificate and related documents—will also be submitted, as described below.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the 2024A COPs. The Official Statement describes the 2024A COPs, including sources and uses of funds; security for the 2024A COPs; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Annual Comprehensive Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the 2024A COPs.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the 2024A COPs. Within seven business 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 2024A COPs.

The Board of Supervisors and the Mayor, in adopting and approving the proposed Ordinance, approve and authorize the use and distribution of the Official Statement by the City's Municipal Advisor with respect to the 2024A COPs. In accordance with rule 15c2-12 of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their respective dates.

Official Notice of Sale and Notice of Intention to Sell (if the 2024A COPs are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the 2024A COPs. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the 2024A COPs announces the date and time of a competitive sale, including the terms relating to the 2024A COPs; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the 2024A COPs. Pursuant to the Ordinance, the Controller is authorized to award the 2024A COPs to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Purchase Contract (if the 2024A COPs are sold on a negotiated basis): The City will work with its Municipal Advisor to determine whether a negotiated or competitive sale will be most advantageous for the transaction based on market conditions closer to the sale of the 2024A COPs. Should the 2024A COPs be sold via a negotiated sale with an underwriter(s), the Purchase

Contract will be the document that details the terms, covenants, and conditions for the sale of the 2024A COPs through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents. For a negotiated sale, the City would work with its Municipal Advisor to select qualified firms from the City's Underwriter Pool via a competitive Request for Proposal ("RFP") process.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material. The Continuing Disclosure Certificate, included as Appendix D of the Preliminary Official Statement, describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the 2024A COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of the COP Ordinance to the Board of Supervisors	June 25, 2024
• Capital Planning Committee Hearing	July 22, 2024
• Introduction of Supplemental Appropriation Ordinance and MTA Contract Resolution	July 30, 2024
• Budget and Finance Committee Hearing for COP Ordinance	July 31, 2024
• Board Consideration of the COP Ordinance (1st Reading)	September 3, 2024
• Budget and Finance Committee Hearing for Supplemental Appropriation Ordinance and MTA Contract Amendment Resolution	September 4, 2024
• Final Board Consideration of COP Ordinance (2nd Reading) and MTA Contract Resolution; Board Consideration of the Appropriation Ordinance (1st Reading)	September 10, 2024
• Final Board Approval of the Appropriation Ordinance (2nd Reading)	September 17, 2024
• Sale and Closing of the COPs / Transfer of Garage to City	December 2024

*Please note that dates are estimated unless otherwise noted.

Please feel free to 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. Your consideration of this matter is greatly appreciated.

Attachment A

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, NHA Advisors.

1. True interest cost of the COPs: 4.67%

2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): $1,174,616.

3. Amount of COP proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the COPs: $22,025,762.

4. Total payment amount for the COPs, being the sum of (a) debt service on the COPs to final maturity, and (b) any financing costs not paid from proceeds of the COPs: $42,413,967.

The information set forth above is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

CC: Angela Calvillo, Clerk of the Board of Supervisors
Andres Power, Mayor's Office
Tom Paulino, Mayor's Office
Alex Sweet, Mayor's Office
Anna Duning, Mayor's Budget Director
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Greg Wagner, Controller
Mark Blake, Deputy City Attorney
Manu Pradhan, Deputy City Attorney
Phil Ginsburg, Recreation and Parks
Dana Ketcham, Recreation and Parks
Sarah Madland, Recreation and Parks
Rob Malone, SFMTA
Janet Martinsen, SFMTA

From:	Trejo, Sara (MYR)
To:	BOS Legislation, (BOS)
Cc:	Paulino, Tom (MYR); Trivedi, Vishal (CON); BLAKE, MARK (CAT); Van Degna, Anna (CON); Carson, Grant (CON); Katz, Bridget (CON)
Subject:	Mayor -- Ordinance -- Concourse Garage Project
Date:	Tuesday, June 25, 2024 2:40:38 PM
Attachments:	01766070 - Music Concourse Garage COP (Series 2024A) Legislative Digest.docx 01766070 - Music Concourse Garage COP (Series 2024A) Legislative Digest.pdf 01767996 - Music Concourse Garage COP (Series 2024A) - Ordinance.DOCX 01767996 - Music Concourse Garage COP (Series 2024A) - Ordinance.pdf Form of Appendix A.pdf Form of Lease Agreement - San Francisco (Music Concourse Garage Series 2024A).pdf Form of Notice of Intention - San Francisco (Music Concourse Garage Series 2024A).pdf Form of Official Notice of Sale - San Francisco (Music Concourse Garage Series 2024A).pdf Form of PRELIMINARY OFFICIAL STATEMENT (Music Concourse Garage Series 2024A).pdf Form of Property Lease - San Francisco (Music Concourse Garage Series 2024A).pdf Form of Purchase Contract - San Francisco (Music Concourse Garage Series 2024A).pdf Form of Trust Agreement - San Francisco (Music Concourse Garage Series 2024A).pdf OPF RecPark Memo to Bos - Music Concourse Garage COP Ordinance - 062524 vF.pdf

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Hello Clerks,

Attached is an Ordinance authorizing the execution and delivery of Certificates of Participation on a tax-exempt or taxable basis evidencing and representing an aggregate principal amount of not to exceed $29,000,000 to fund all or a portion of the acquisition of the Concourse Garage; authorizing the issuance of commercial paper notes in advance of the delivery of the Certificates; approving the form of Trust Agreement between the City and County of San Francisco and the Trustee (including certain indemnities contained therein); authorizing the selection of the Trustee by the Director of Public Finance; approving respective forms of a Property Lease and a Lease Agreement, each between the City and County of San Francisco and the Trustee for the lease and lease back of certain property and facilities of the City; approving the forms of Purchase Contract, Official Notice of Sale, and Notice of Intention to Sell Certificates; directing the publication of the Notice of Intention to Sell Certificates; approving the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the Certificates; approving the form of the Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the Certificates, including termination of the Ground Lease and transfer of the Concourse Garage property and related property to the City and County of San Francisco under the jurisdiction of the Recreation and Park Commission; approving modifications to documents and agreements; declaring the City's intent to reimburse certain expenditures; and ratifying previous actions taken in connection therewith.

Best regards,

Sara Trejo
Legislative Aide
Office of the Mayor
City and County of San Francisco
415.554.6141 | sara.trejo@sfgov.org