

File No. 241120

Committee Item No. 3

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date January 29, 2025

Board of Supervisors Meeting Date _____

Cmte Board

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
- Draft 1st Supplement to Trust Agreement
 - Draft 2nd Supplement to Project Lease
 - Draft Escrow Agreement
 - Draft Purchase Contract
 - Draft Notice of Intent to Sell
 - Draft Official Notice of Sale
 - Draft Preliminary Official Statement
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| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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Completed by: Brent Jalipa Date January 23, 2025

Completed by: Brent Jalipa Date _____

[Authorizing Refunding Certificates of Participation - Various Port Projects - Not to Exceed \$25,000,000]

Ordinance authorizing the execution and delivery from time to time of refunding Certificates of Participation evidencing and representing an aggregate principal amount of not to exceed \$25,000,000 to prepay certain certificates of participation that financed the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration, and/or replacement of certain capital improvements to properties of the Port Commission of the City and County of San Francisco; approving the form of Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee"); approving the form of Supplement to Project Lease, between the City and County of San Francisco and the Trustee, relating to the lease and lease back of all or a portion of the James R. Herman Cruise Terminal at Pier 27; approving the form of Escrow Agreement, 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, approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in *~~strikethrough italics Times New Roman font~~*.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.

Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Background.

(a) The City and County of San Francisco ("City") and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee"), have previously entered into a Property Lease, dated as of October 1, 2013 ("Original Property Lease"), pursuant to which the City leased certain real property and all improvements thereon, generally consisting of certain land and improvements comprising portions of the Laguna Honda Hospital campus within the City ("Laguna Honda Hospital"), owned by the City and located at 375 Laguna Honda Boulevard within the City and portions of the James R. Herman Cruise Terminal at Pier 27 ("Pier 27 Terminal" and, together with Laguna Honda Hospital, "Prior Leased Property") to the Trustee.

(b) The Trustee and the City have previously entered into a Project Lease, dated as of October 1, 2013 ("Original Project Lease"), pursuant to which the Trustee leased the Prior Leased Property back to the City.

(c) The City previously caused the execution and delivery of the City and County of San Francisco Certificates of Participation, Series 2013B (Port Facilities Project) ("2013B Certificates") and the City and County of San Francisco Certificates of Participation, Series 2013C (Port Facilities Project) ("2013C Certificates" and, together with the 2013B Certificates, "2013BC Certificates") pursuant to a Trust Agreement, dated as of October 1, 2013, by and between the City and the Trustee ("Original Trust Agreement").

(d) The 2013BC Certificates evidenced direct undivided interests in the lease payments made by the City under the Original Project Lease.

1 (e) The City and the Trustee have previously entered into a First Amendment to
2 Property Lease, dated as of February 1, 2015 ("First Amendment to Property Lease"),
3 amending the Original Property Lease, a First Amendment to Project Lease, dated as of
4 February 1, 2015 ("First Amendment to Project Lease"), amending the Original Project Lease,
5 and a Partial Termination Agreement dated as of February 1, 2015 ("Partial Termination
6 Agreement").

7 (f) The First Amendment to Property Lease, the First Amendment to Project Lease,
8 and the Partial Termination Agreement provided for the release of Laguna Honda Hospital
9 from the Prior Lease Property (such property as modified upon such release being referred to
10 herein as the "Leased Property"), as contemplated by Section 7.02 of the Original Trust
11 Agreement.

12 (g) A portion of the 2013BC Certificates currently remains outstanding and unpaid and
13 may be prepaid and retired by the City upon meeting certain conditions ("Refunded
14 Certificates").

15 (h) Chapter 43, Article VIII, Section 43.8.1 of the San Francisco Administrative Code
16 ("Administrative Code") provides that the policy of the City is to permit the refunding of
17 outstanding lease obligations of the City whenever such refunding shall result in net debt
18 service savings to the City pursuant to the procedure set forth in such Article as well as by any
19 other method permitted by law or other ordinance of the Board of Supervisors ("Board of
20 Supervisors" or "Board").

21 (i) The Original Trust Agreement provides for the issuance of additional certificates of
22 participation by the execution and delivery of a supplement to the Original Trust Agreement
23 and authorizes the principal and interest with respect to said certificates of participation to be
24 secured by a supplement to the Original Project Lease and to be paid from amounts paid by
25 the City under a supplement to the Original Project Lease.

1 (j) The Board of Supervisors of the City desires to provide for the prepayment, in whole
2 or in any part, of the Refunded Certificates through the execution and delivery of one or more
3 additional series of certificates of participation (as further defined herein, "Certificates")
4 therefor pursuant to the Original Trust Agreement.

5 (k) The Certificates will be executed and delivered in one or more series, from time to
6 time, pursuant to one or more supplements to the Original Trust Agreement (each, a
7 "Supplement to Trust Agreement"), by and between the City and the Trustee, supplementing
8 the Original Trust Agreement.

9 (l) In connection with the execution and delivery of the Certificates, the Board desires to
10 cause the execution of one or more supplements to the Original Project Lease (each, a
11 "Supplement to Project Lease"), supplementing and amending the Original Project Lease to
12 provide for (i) the additional or adjusted Base Rental to be paid by the City in connection with
13 the issuance of the Certificates and the prepayment of the Refunded Certificates and
14 (ii) certain related matters, with such additional changes to the Supplement to Project Lease
15 as shall be determined by the Director of Public Finance; a form of Escrow Agreement
16 ("Escrow Agreement"), between the City and U.S. Bank Trust Company, National Association,
17 as escrow agent ("Escrow Agent"); a form of a purchase contract between the City and one or
18 more initial purchasers of the Certificates ("Purchase Contract"); a Continuing Disclosure
19 Certificate; and certain other related documents.

20 (m) The Certificates, when issued, will evidence direct undivided interests in the lease
21 payments made by the City under the Original Project Lease, as previously supplemented and
22 amended and as supplemented and amended by the Supplement or Supplements to Project
23 Lease, on a parity basis with the outstanding Refunded Certificates.

24 (n) The Board has been presented with the form of certain documents and agreements
25 referred to herein relating to the Certificates, and the Board has examined and is approving

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

3 (o) The Board has received from the City's Office of Public Finance and disclosed to
4 the public certain good faith estimates, as required by Section 5852.1 of the California
5 Government Code, regarding certain costs relating to, the net proceeds of, and the debt
6 service cost of the proposed issuance of the Certificates, which estimated information has
7 been provided by the City's municipal advisor, Backstrom McCarley Berry & Co., LLC, and
8 which estimated information is based upon conditions that are subject to change prior to, on,
9 or after the effective date of this Ordinance, including prevailing market conditions and the
10 City's ability to refinance the Refunded Certificates on a tax-exempt basis.

11 (p) Upon the effectiveness of this Ordinance, all conditions, things, and acts required
12 by law to exist, to happen, and to be performed precedent to and as a condition of the
13 execution and delivery of the Supplement or Supplements to Project Lease, the Supplement
14 to Trust Agreement, the Escrow Agreement(s), the Purchase Contract(s), the Continuing
15 Disclosure Certificate, the Official Statement (as defined herein), and the Certificates will exist,
16 have happened, and have been performed in due time, form and manner in accordance with
17 applicable law, and the City shall be authorized pursuant to its Charter and other applicable
18 law to execute and deliver the Supplement or Supplements to Project Lease, the Supplement
19 to Trust Agreement, the Escrow Agreement(s), the Purchase Contract(s), the Continuing
20 Disclosure Certificate, the Official Statement (as defined herein), and to cause the execution
21 and delivery of the Certificates in the manner and form provided in this Ordinance.

22 (q) The adoption of this Ordinance constitutes authorization of the Certificates within
23 the meaning of Section 864 of the California Code of Civil Procedure, as amended, and any
24 Validation Act that is effective after this Ordinance takes effect.

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

3 Section 3. File Documents. The documents presented to the Board and on file with
4 the Clerk of the Board or their designee (collectively, the “Clerk”) are contained in File
5 No. 241120.

6 Section 4. Authorization of the Certificates. The Board hereby authorizes and
7 approves the execution and delivery of the Certificates in one or more series and on one or
8 more delivery dates in accordance with the Original Trust Agreement, as supplemented by the
9 applicable Supplement to Trust Agreement. The proceeds of the Certificates will be used,
10 together with other available funds of the City, to (i) prepay all or any portion of the Refunded
11 Certificates, as determined by the Director of Public Finance, including the payment of any
12 interest accrued on the principal amounts thereof through the date of payment; (ii) fund a
13 reserve fund, reserve surety, or other reserve fund instrument, as appropriate; and (iii) pay
14 costs of the execution and delivery of the Certificates. The Certificates shall be designated as
15 “City and County of San Francisco Refunding Certificates of Participation (Port Facilities
16 Project),” with such other or additional designation, including as to series or sub-series and
17 the year of execution and delivery, as determined by the Director of Public Finance of the City
18 or their designee, acting for and on behalf of the City Controller (collectively, the “Director of
19 Public Finance”).

20 The Certificates shall evidence an aggregate principal amount of not to exceed Twenty-
21 Five Million Dollars (\$25,000,000), and shall evidence interest at a true interest cost up to but
22 not to exceed twelve percent (12%) per annum. The Certificates shall result in net debt
23 service savings to the City of not less than three percent (3%) of the par value of the
24 Refunded Certificates on a net present value basis, using the Certificates’ True Interest Cost
25 as the discount rate, as stipulated in the City’s Adopted Debt Policy.. The Certificates shall be

1 subject to prepayment as set forth in the applicable Supplement to Project Lease and
2 Supplement to Trust Agreement. The Director of Public Finance is hereby authorized, to the
3 extent such officer deems it necessary or advisable and financially advantageous to the City,
4 to procure credit enhancement for the Certificates, including but not limited to municipal bond
5 insurance and/or a debt service reserve fund surety policy.

6 The Director of Public Finance is hereby authorized, to the extent such officer deems it
7 necessary or advisable and in the interests of the City, to cause the execution and delivery of
8 the Certificates (i) with interest with respect thereto exempt or not exempt from federal income
9 tax, or (ii) under any federal tax law provisions which provide for federal grants or credits to
10 the City or to investors in lieu of the exemption of interest from federal income tax or (iii) as
11 “qualified private activity bonds” and to publish any notices and conduct any public hearings in
12 connection therewith.

13 Section 5. Approval of the Supplement to Trust Agreement. The form of the
14 Supplement to Trust Agreement between the City and the Trustee, as presented to the Board,
15 a copy of which is on file with the Clerk, is hereby approved. The Mayor of the City or their
16 designee (collectively, the “Mayor”) or the City Controller or their designee (collectively,
17 “Controller”) is hereby authorized to execute and deliver one or more Supplements to Trust
18 Agreement, and the Clerk is hereby authorized to attest to such Supplement or Supplements
19 to Trust Agreement, with such changes, additions, and modifications as made or approved in
20 accordance with Section 13 hereof.

21 Section 6. Approval of the Supplement to Project Lease. The form of the
22 Supplement to Project Lease between the City and the Trustee, as presented to the Board, a
23 copy of which is on file with the Clerk, is hereby approved. The Mayor or the Controller is
24 hereby authorized to execute and deliver one or more Supplements to Project Lease, and the
25 Clerk is hereby authorized to attest to such Supplement or Supplements to Project Lease,

1 with such changes, additions, and modifications as made or approved in accordance with
2 Section 13 hereof.

3 Section 7. Approval of the Leased Property and the Base Rental Payments. The
4 Board hereby approves the leasing, pursuant to the terms of the Supplement or Supplements
5 to Project Lease, of all or a portion of the Leased Property. The Board also hereby approves
6 the payment by the City of the Base Rental with respect thereto.

7 Section 8. Approval of the Escrow Agreement. The form of the Escrow Agreement
8 between the City and the Escrow Agent, as presented to the Board, a copy of which is on file
9 with the Clerk, is hereby approved. The Mayor, the Controller or the Director of Public
10 Finance is hereby authorized to execute and deliver one or more Escrow Agreements, with
11 such changes, additions and modifications as made or approved in accordance with Section
12 13 hereof.

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

1 Certificates, which final Official Statement shall be in the form of the Preliminary Official
2 Statement, with such additions, corrections and revisions as may be determined to be
3 necessary or desirable made in accordance herewith and as are permitted under the Rule.
4 The Director of Public Finance is authorized and directed to cause to be printed and mailed or
5 electronically distributed the final Official Statement to all actual initial purchasers of the
6 Certificates.

7 Section 10. Continuing Disclosure Certificate. The form of Continuing Disclosure
8 Certificate ("Continuing Disclosure Certificate"), to be signed by the Controller to permit the
9 original purchasers of the Certificates to comply with the Rule, submitted to the Board is
10 approved and adopted as the Continuing Disclosure Certificate, with such changes, additions,
11 and modifications as made or approved in accordance with Section 13 hereof. The Controller
12 and the Director of Public Finance are authorized and directed to execute the Continuing
13 Disclosure Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to
14 the original purchasers of the Certificates.

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

21 The form of proposed Notice of Intention to Sell the Certificates ("Notice of Intention to
22 Sell Certificates") submitted to the Board is approved and adopted as the Notice of Intention
23 to Sell the Certificates, and the Controller or the Director of Public Finance is authorized and
24 directed to cause the Notice of Intention to Sell Certificates, subject to such changes,
25 additions, and modifications as made or approved in accordance with Section 13 hereof, to be

1 published once in *The Bond Buyer* or another financial publication generally circulated
2 throughout the State of California.

3 If the Controller or the Director of Public Finance determines to sell the Certificates by
4 negotiated sale, the Controller or the Director of Public Finance is hereby authorized to sell
5 the Certificates by negotiated sale pursuant to one or more purchase contracts (each, a
6 "Purchase Contract") by and between the City and the underwriters named therein; provided,
7 however, that the underwriters' discount under any such Purchase Contract shall not exceed
8 one percent (1.0%) of the principal amount of the Certificates.

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

15 Section 12. General Authority. The Mayor, the City Treasurer, the City Attorney, the
16 City Controller, the City Administrator, the Director of Public Finance, the Clerk, and other
17 officers of the City and their duly authorized deputies, designees, and agents are hereby
18 authorized and directed, jointly and severally, to take such actions and to execute and deliver
19 such certificates, agreements, requests, or other documents as they may deem necessary or
20 desirable to accomplish the purposes of this Ordinance, including but not limited to the
21 execution and delivery of a Supplement or Supplements to Project Lease, a Supplement or
22 Supplements to Trust Agreement, the Continuing Disclosure Certificate, one or more
23 Purchase Contracts, one or more Escrow Agreements and the Certificates, to obtain bond
24 insurance and/or other credit enhancements and/or a surety policy with respect to the
25 Certificates, to obtain title insurance, to clear any encumbrances to title and to carry out other

1 title work. Any such actions are solely intended to further the purposes of this Ordinance, and
2 are subject in all respects to the terms of this Ordinance. No such actions shall increase the
3 risk to the City or require the City to spend any resources not otherwise granted herein. Final
4 versions of any such documents shall be provided to the Clerk of the Board for inclusion in the
5 official file within 30 days of execution (or as soon thereafter as final documents are available)
6 by all parties.

7 Section 13. Modifications, Changes and Additions. The Mayor, the City Treasurer,
8 the Controller, and the Director of Public Finance each are hereby authorized to make such
9 modifications, changes and additions to the documents and agreements approved hereby,
10 upon consultation with the City Attorney, as may be necessary or desirable and in the
11 interests of the City, and which changes do not materially increase the City's obligations or
12 materially reduce its rights thereunder or hereunder. The respective official's approval of such
13 modifications, changes, and additions shall be conclusively evidenced by the execution and
14 delivery thereof by such official.

15 Section 14. Partial Invalidity. Any provision of this Ordinance found to be prohibited
16 by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the
17 remainder of this Ordinance.

18 Section 15. Ratification of Prior Actions. All actions authorized consistent with any
19 documents presented herein and approved by this Ordinance but heretofore taken are hereby
20 ratified, approved ,and confirmed by the Board.

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Section 16. 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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LEGISLATIVE DIGEST

[Authorizing Refunding Certificates of Participation - Various Port Projects - Not to Exceed \$25,000,000]

Ordinance authorizing the execution and delivery from time to time of refunding Certificates of Participation evidencing and representing an aggregate principal amount of not to exceed \$25,000,000 to prepay certain certificates of participation that financed the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of certain capital improvements to properties of the Port Commission of the City and County of San Francisco; approving the form of Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee (“Trustee”); approving the form of Supplement to Project Lease, between the City and County of San Francisco and the Trustee, relating to the lease and lease back of all or a portion of the James R. Herman Cruise Terminal at Pier 27; approving the form of Escrow Agreement, 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, approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the execution and delivery from time to time of refunding Certificates of Participation (Various Port Projects Projects) (“COPs”). The COPs may be executed and delivered in a principal amount not to exceed \$25,000,000. Proceeds of the COPs will be used, together with other available funds of the City, to (i) prepay all or any portion of the Refunded Certificates (i.e. the San Francisco Certificates of Participation, Series 2013B (Port Facilities Project) and the City and County of San Francisco Certificates of Participation, Series 2013C (Port Facilities Project), together the “Refunded Certificates” herein) as determined by the Director of Public Finance, including the payment of any interest accrued on the principal amounts thereof through the date of payment; (ii) fund a reserve fund, reserve surety or other reserve fund instrument, as appropriate; and (iii) pay costs of the execution and delivery of the COPs.

The Certificates will be executed and delivered in one or more series, from time to time, pursuant to one or more supplements to the Original Trust Agreement, dated October 1, 2013 (each, a "Supplement to Trust Agreement"), by and between the City and the Trustee, supplementing the Original Trust Agreement.

The proposed Ordinance also approves the execution of one or more supplements to the Original Project Lease, dated October 1, 2013 (each, a "Supplement to Project Lease"), supplementing and amending the Original Project Lease to provide for (i) the additional or adjusted Base Rental to be paid by the City in connection with the issuance of the Certificates and the prepayment of the Refunded Certificates and (ii) certain other related matters as determined by the Director of Public Finance. The proposed Ordinance also approves related documents including a form of Escrow Agreement, between the City and U.S. Bank Trust Company, National Association, as escrow agent; a form of a purchase contract between the City and one or more initial purchasers of the Certificates; a Continuing Disclosure Certificate and certain other related documents.

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

The proposed Ordinance authorizes the Controller or the Director of Public Finance to sell the COPs by complete 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 (1.0%) 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)), Purchase Contract, Notice of Intention to Sell, Official Notice of Sale, the Continuing Disclosure Certificate.

Items 3 & 4 Files 24-1120 & 24-1118	Department: Controller, Office of Public Finance
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 24-1120 is an ordinance that would: (1) authorize refunding Certificates of Participation (COPs) in a principal amount not to exceed \$25 million, in one or more series to prepay certain series of COPs previously issued to finance Port facilities projects; (2) approve the forms of related documents; and (3) grant general authority to City officials to take necessary actions, approve modifications to documents, and ratify previous related actions. • File 24-1118 is an ordinance appropriating \$28,386,685. The spending would be sourced from the following: (1) \$5,000,000 of Refunding Certificates of Participation Series 2025-R1 proceeds, (2) \$20,000,000 of Refunding Certificates of Participation Series 2025-R2 proceeds, (3) \$483,000 of Series 2013B COPs prior debt service reserve proceeds and \$1,995,500 of 2013C COPs prior debt service reserve proceeds, and (4) de-appropriation of \$908,185 of Series 2013B Project Funds. The ordinance places these funds on Controller's Reserve pending sale of the proposed new COPs. 	
<p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2012, the Board of Supervisors approved the issuance of up to \$45,000,000 in COPs to finance various Port facilities. Individual issuances of COPs normally include an optional call date provision that allows the City to refinance the outstanding principal amount after a specified date if interest rates are more favorable and produce savings for the City. The City has two outstanding series of COPs with optional call dates that became exercisable in March 2023, including Series 2013B and Series 2013C. • The Port has the authority to issue revenue bonds to finance capital projects; however, it was determined that the City would issue COPs as its higher credit ratings would allow it to borrow at lower interest rates than the Port's revenue bonds. The subject COPs are secured by the City's General Fund; however, debt service is paid from Port revenues. 	
<p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The Office of Public Finance estimates that the COPs would have average annual principal and interest payments of \$1.8 million per year and an estimated true interest cost of 4.47 percent. Total debt service over the anticipated 17-year term is estimated to be \$29.9 million, which would continue to be paid by the Port. According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. The COPs would only be issued if the savings meet the three percent minimum savings threshold. 	
<p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

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 indebtedness does not exceed 3.25% 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 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

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) any modification of such contracts of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND**Port Facilities Projects and Certificates of Participation (COPs)**

The City issues Certificates of Participation (COPs) to partially fund various aspects of its capital planning program. In 2012, the Board of Supervisors approved the issuance of not to exceed \$45,000,000 in COPs to finance the construction, design, acquisition, and capital improvement of various Port facilities (File 12-0380). These facilities included construction of a new cruise terminal at Pier 27 to replace the terminal at Pier 35, installation of a shoreside power project consisting of the construction of a 12-megawatt power system at Pier 70, and various infrastructure improvement projects to venues used for the 34th America's Cup¹ event such as repairs to the south apron² for public access on Pier 19. Construction of the Pier 27 Cruise Terminal is now completed, and the terminal is fully operational.

Under the City Charter, the Port has the authority to issue revenue bonds to finance capital projects; however, it was determined at the time of approval in 2012 that the City would issue COPs as its higher credit ratings would allow it to borrow at lower interest rates than the Port's revenue bonds. According to the Office of Public Finance, the COPs are secured by the City's General Fund; however, annual base rental payments (in effect, debt service) are paid from Port revenues.

¹ This was a series of yacht races held in San Francisco in September 2013.

² This is the area immediately in front of or behind a wharf shed on which cargo is lifted.

Individual issuances of COPs normally include an optional call date provision that allows the City to refinance the outstanding principal amount after a specified date if interest rates are more favorable and produce savings for the City. The City has two outstanding series of COPs with optional call dates that became exercisable in March 2023, including:

1. Series 2013B (Port Facilities Project) COPs (2013B COPs)
2. Series 2013C (Port Facilities Project) COPs (2013C COPs)

The 2013B COPs financed improvements for the America's Cup and were issued on a tax-exempt basis. The 2013C COPs financed facilities with various private uses, including the Pier 27 Cruise Terminal, and were issued as qualified private activity COPs, in which interest income on the 2013C COPs is not exempt from federal taxation under the Internal Revenue Code.³

Exhibit 1 below summarizes the two outstanding series of COPs that could be refinanced for savings.

Exhibit 1: Outstanding COPs Eligible for Refinancing

COPs Series	Par Amount Outstanding	Average Interest Rate	First Optional Call Date	Final Maturity	Average Annual Debt Service
2013B COPs	\$4,830,000	4.90%	3/1/2023	3/1/2038	\$413,000
2013C COPs	\$19,195,000	5.13%	3/1/2023	3/1/2043	\$1,580,000
Total	\$24,025,000	5.08%	3/1/2023	3/1/2043	\$1,993,000

Source: Office of Public Finance

DETAILS OF PROPOSED LEGISLATION

File 24-1118 is an ordinance appropriating \$28,386,685. The spending would be sourced from the following: (1) \$5,000,000 of Refunding Certificates of Participation Series 2025-R1 proceeds, (2) \$20,000,000 of Refunding Certificates of Participation Series 2025-R2 proceeds, (3) \$483,000 of Series 2013B COPs prior debt service reserve proceeds and \$1,995,500 of 2013C COPs prior debt service reserve proceeds, and (4) de-appropriation of \$908,185 of Series 2013B Project Funds. The ordinance places these funds on Controller's Reserve pending sale of the COPs.

File 24-1120 is an ordinance that would: (1) authorize refunding Certificates of Participation in a principal amount not to exceed \$25 million, in one or more series to prepay certain series of COPs previously issued to finance Port facilities projects; (2) approve the forms of related documents, including a Supplement to Trust Agreement, a Supplement to Project Lease, an Escrow

³ Pursuant to Sections 141 and 142 of the Internal Revenue Code

Agreement,⁴ Official Notice of Sale and a Notice of Intention to Sell the Certificates, a Preliminary Official Statement and Official Statement, a Purchase Contract, and a Continuing Disclosure Certificate; and (3) grant general authority to City officials to take necessary actions, approve modifications to documents, and ratify previous related actions.

Certificates of Participation

OPF plans to refund the outstanding Series 2013B and 2013C COPs with the proposed Series 2025-R1 and Series 2025-R2 Refunding COPs together in one transaction. Under the proposed ordinance, the Series 2025-R1 and Series 2025-R2 Refunding COPs may be issued any time on or after the respective call dates for each outstanding series. The 2013B COPs will be refunded by the 2025-R1 COPs, a tax-exempt series. The 2013C COPs will be refunded by the 2025-R2 COPs, which is not tax-exempt. The Controller's Office of Public Finance estimates that the COPs would be paid over 17 years with an estimated true interest cost of 4.47 percent. However, according to the Office of Public Finance, interest rates and capital markets are currently volatile, so actual interest rates at the time of issuance are subject to change.

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded bonds on a net present value basis. The proposed ordinance authorizes the refunding of any outstanding series not refunded by the Series 2025-R1 and Series 2025-R2 at a later date. The Office of Public Finance anticipates the pricing and closing of the transaction in the Spring of 2025. According to the Port, the refunding COPs will not fund any new projects.

City Property Securing COPs

The COPs are structured as a lease-lease back, in which the City-owned Pier 27 Cruise Terminal serves as the leased property to a trustee to secure the City's outstanding COPs. The City's lease payments are equal to the debt service of the outstanding COPs and the properties are leased back to the City for its use. When the COPs are fully paid, the property lease is terminated. New COPs series are added to the structure through subsequent supplemental agreements between the City and a third-party trustee (currently U.S. Bank Trust Company, National Association).

Competitive or Negotiated Sale

The proposed ordinance permits the COPs to be sold through a negotiated or competitive sale. The Office of Public Finance will determine if a negotiated or competitive sale will be more advantageous based on market conditions closer to the sale of the COPS in consultation with its municipal advisor. If the COPs are sold via negotiated sale with an underwriter (or underwriters), terms, covenants, and conditions for the sale of the COPs will be detailed in the Purchase Contract. In line with City policies, for a negotiated sale the City would either select the top-

⁴ The proposed Escrow Agreement between the City and U.S. Bank Trust Company, National Association, as escrow agent, provides for the creation of escrow funds to pay the principal and interest due on the COPs to be refunded. The escrow agent will hold any escrow obligations in an irrevocable trust fund account for the benefit of the owners of the COPs to be refunded.

ranked underwriter from its pre-qualified Underwriter Pool or issue a Request for Proposals to that same established Underwriter Pool.

FISCAL IMPACT

The \$28,386,685 appropriation includes \$25,000,000 in Refunding COPs proceeds and \$2,478,500 of COP prior reserve funds, as well as \$908,185 in prior project funds that were unspent because projects were delivered under budget.

Proposed uses of the \$28,386,685 appropriation include \$23,350,000 to refund the selected COPs series, \$1,235,000 in financing costs (including issuance costs and the underwriter's discount), \$2,050,000 for debt service reserves, and \$1,751,685 for market uncertainty pending the sale of the COPs.

Exhibit 2 below identifies the sources and uses for the proceeds from the sale of the COPs.

Exhibit 2: Sources and Uses for Refunding COPs

Sources and Uses	Amount
<u>Sources</u>	
Refunding COP Proceeds	\$25,000,000
Prior Reserve Funds	2,478,500
Prior Project Funds	908,185
Total Sources	\$28,386,685
<u>Uses</u>	
Refunding Escrow	\$23,350,000
Cost of Issuance*	1,000,000
Underwriter's Discount	235,000
Debt Service Reserves	2,050,000
Reserve for Market Uncertainty	1,751,685
Total Uses	\$28,386,685

Source: Proposed Appropriation Ordinance

*Includes fees paid to rating agencies, bond and disclosure counsel, municipal advisor, title insurance, trustee fees, and reimbursement for City staff time

Debt Service

The Office of Public Finance estimates that the COPs would have average annual principal and interest payments of \$1.8 million per year and an estimated true interest cost of 4.47 percent. This is less than the debt service of outstanding COPs, which, as noted above, is \$1.993 million per year. Total debt service over the anticipated 17-year term is estimated to be \$29.9 million. Debt service on the refunding COPs would continue to be repaid by the Port, not the General Fund.

Based on market conditions as of November 2024 and an estimated true interest cost of 4.47 percent, the Office of Public Finance estimates that the refunding of the 2013B and 2013C COPs

will result in a total of approximately \$2.3 million of nominal savings over the term of the refunding COPs.

City's Debt Policy

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. Based on Good Faith Estimates from the Office of Public Finance's Municipal Advisor as of November 2024, the net present value of the debt service savings of the proposed refunding debt is estimated to be approximately \$670,000, which, at 2.89 percent, is slightly less than the three percent minimum savings threshold. According to the Office of Public Finance, the refunding COPs would only be issued if savings meet the three percent minimum savings threshold. In addition, the office states that Good Faith Estimates are conservative to reflect the potential for future changes in market conditions and interest rates. As mentioned above, the proposed ordinance authorizes the refunding of any outstanding series not refunded by the Series 2025-R1 and Series 2025-R2 at a later date.

RECOMMENDATION

Approve the proposed resolution and ordinance.

FIRST SUPPLEMENT TO TRUST AGREEMENT

by and between the

CITY AND COUNTY OF SAN FRANCISCO,

and

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

Dated as of _____1, 2024

Relating to:

\$_____

CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2025-[R1],
(Port Facilities Project)

and

\$_____

CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2025-[R2],
(Port Facilities Project)

FIRST SUPPLEMENT TO TRUST AGREEMENT

THIS FIRST SUPPLEMENT TO TRUST AGREEMENT, dated as of ____1, 2025 (this “First Supplement to Trust Agreement”), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the “City”) and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as Trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the City and the Trustee, have previously entered into a Property Lease, dated as of October 1, 2013 (the “Original Property Lease”), pursuant to which the City leased certain real property and all improvements thereon, generally consisting of certain land and improvements comprising portions of the Laguna Honda Hospital campus within the City (“Laguna Honda Hospital”), owned by the City and located at 375 Laguna Honda Boulevard within the City and portions of the James R. Herman Cruise Terminal at Pier 27 (“Pier 27 Terminal” and, together with Laguna Honda Hospital, the “Prior Leased Property”) to the Trustee; and

WHEREAS, the Trustee and the City have previously entered into a Project Lease, dated as of October 1, 2013 (the “Original Project Lease”), pursuant to which the Trustee leased the Prior Leased Property back to the City.

WHEREAS, the City previously caused the execution and delivery of the City and County of San Francisco Certificates of Participation, Series 2013B (Port Facilities Project) (the “2013B Certificates”) and the City and County of San Francisco Certificates of Participation, Series 2013C (Port Facilities Project) (the “2013C Certificates” and, together with the 2013B Certificates, the “2013BC Certificates”) pursuant to a Trust Agreement, dated as of October 1, 2013, by and between the City and the Trustee (the “Original Trust Agreement”).

WHEREAS, the 2013BC Certificates evidenced direct undivided interests in the lease payments made by the City under the Original Project Lease.

WHEREAS, the City and the Trustee have previously entered into a First Amendment to Property Lease, dated as of February 1, 2015 (the “First Amendment to Property Lease”), amending the Original Property Lease (the Original Property Lease as so amended, the “Existing Property Lease”), a First Amendment to Project Lease, dated as of February 1, 2015 (the “First Amendment to Project Lease”), amending the Original Project Lease (the Original Project Lease as so amended, the “Existing Project Lease”), and a Partial Termination Agreement dated as of February 1, 2015 (the “Partial Termination Agreement”).

WHEREAS, the First Amendment to Property Lease, the First Amendment to Project Lease and the Partial Termination Agreement provided for the release of Laguna Honda Hospital from the Prior Leased Property (such property as modified upon such release being the “Leased Property” under the Existing Property Lease and Existing Project Lease), as contemplated by Section 7.02 of the Original Trust Agreement.

WHEREAS, a portion of the 2013BC Certificates currently remain outstanding and unpaid and may be prepaid and retired by the City upon meeting certain conditions (the “Refunded Certificates”).

WHEREAS, Chapter 43, Article VIII, Section 43.8.1 of the San Francisco Administrative Code (the “Administrative Code”) provides that the policy of the City is to permit the refunding of outstanding lease obligations of the City whenever such refunding shall result in net debt service savings to the City pursuant to the procedure set forth in such Article as well as by any other method permitted by law or other ordinance of the Board.

WHEREAS, the Original Trust Agreement provides for the issuance of additional certificates of participation (as defined in the Original Trust Agreement, “Additional Certificates”) by the execution and delivery of a supplement to the Original Trust Agreement and authorizes the principal and interest with respect to Additional Certificates to be secured by a supplement to the Existing Project Lease and to be paid from amounts paid by the City under a supplement to the Existing Project Lease.

WHEREAS, the Trustee is executing and delivering Additional Certificates pursuant to the Original Trust Agreement, as supplemented by this First Supplement to Trust Agreement (as so supplemented, the “Trust Agreement”), to provide funds, together with other available funds of the City, to (i) prepay all or any portion of the Refunded Certificates, including the payment of any interest accrued on the principal amounts thereof through the date of payment; [and] (ii) [fund a reserve fund, reserve surety or other reserve fund instrument, as appropriate; and (iii)] pay costs of the execution and delivery of the Additional Certificates;

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

Section 1. Definitions. Capitalized terms used herein without definition shall have the meanings as set forth in the Original Trust Agreement. The defined terms set forth in the recitals of this First Supplement to Trust Agreement are incorporated by reference into this Section 1. The following additional capitalized terms used herein are hereby defined as follows:

“Escrow Agent”, “Escrow Agreement”, and “Escrow Fund” shall have the respective meanings ascribed to such terms in Section 3(a)(3) and Section 3(b)(3) hereof.

“2025-[R1] Certificates” means the refunding certificates of participation designated “City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project)” authorized hereby and outstanding at any time under the Original Trust Agreement, as supplemented.

“2025-[R2] Certificates” means the refunding certificates of participation designated “City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project)” authorized hereby and outstanding at any time under the Original Trust Agreement, as supplemented.

“2025-[R1/2] Certificates” means the 2025-[R1] Certificates and the 2025-[R2] Certificates.

“2025-[R1] Costs of Issuance Account” means the account of that name established pursuant to Section 4 hereof.

“2025-[R2] Costs of Issuance Account” means the account of that name established pursuant to Section 4 hereof.

Section 2. Authorization, Designation and Description of the Additional Certificates. The Trustee is hereby authorized and directed to execute and deliver the 2025-[R1] Certificates and the 2025-[R2] Certificates as two series of Additional Certificates to the original purchaser or purchasers thereof. The 2025-[R1] Certificates shall be designated “City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project)” (the “2025-[R1] Certificates”), and shall be executed and delivered in the aggregate principal amount of [_____]. The 2025-[R2] Certificates shall be designated “City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project)” (the “2025-[R2] Certificates”), and shall be executed and delivered in the aggregate principal amount of [_____]. Each 2025-[R1] Certificate and 2025-[R2] Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The 2025-[R1] Certificates and the 2025-[R2] Certificates shall be dated [_____, 2025. The 2025-[R1] Certificates and the 2025-[R2] Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the 2025-[R1] Certificates and the 2025-[R2] Certificates shall initially be executed and delivered in book-entry form pursuant to Section 2.11 of the Original Trust Agreement.

The 2025-[R1] Certificates shall have Certificate Payment Dates of March 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:

2025-[R1] Certificates

Certificate Payment Date (March 1)	<u>Principal Amount</u>	<u>Interest Rate</u>
--	-------------------------	----------------------

† Term Certificates

The 2025-[R2] Certificates shall have Certificate Payment Dates of March 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:

2025-[R2] Certificates

Certificate Payment Date (March 1)	<u>Principal Amount</u>	<u>Interest Rate</u>
--	-------------------------	----------------------

† Term Certificates

The interest evidenced and represented by the 2025-[R1/2] Certificates shall be payable on March 1 and September 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 2025-[R1/2] Certificates shall be payable on March 1 of each year, beginning on March 1, _____ and continuing to and including March 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 March 1.

[The 2025-[R1] Certificates with Certificate Payment Dates of March 1, 20__, March 1, 20__ and March 1, 20__ shall be subject to mandatory sinking account installment prepayment as set forth in Section 6(c).]

[The 2025-[R2] Certificates with Certificate Payment Dates of March 1, 20__, March 1, 20__ and March 1, 20__ shall be subject to mandatory sinking account installment prepayment as set forth in Section 6(d).]

Section 3. Application of Sale Proceeds of the Additional Certificates and Certain Other Amounts.

(a) Upon sale of the 2025-[R1] Certificates, when the same shall be sold to the original purchaser thereof, an amount of proceeds from such sale equal to [\$_____] (calculated as the principal amount represented by the 2025-[R1] Certificates (\$[____]), [plus/less] a [net/aggregate] original issue [premium/discount] of \$[____], less an underwriter's discount of \$[____]), shall be delivered to the Trustee and deposited by the Trustee as follows

(1) The Trustee shall deposit into the 2025-[R1] Costs of Issuance Account the sum of \$[____]. Such amount shall be held in the 2025-[R1] Costs of Issuance Account separate from any other moneys in the Costs of Issuance Fund.

(2) [The Trustee shall deposit into the 2025-[R1] Reserve Account in the Reserve Fund the sum of \$[____] representing the Reserve Requirement as applicable to the 2025-[R1]

Certificates only as of the Closing Date. The 2025-[R1] Reserve Account shall only be available for payments with respect to the 2025-[R1] Certificates.]

(3) [The Trustee shall deposit into the Base Rental Fund the aggregate sum of \$[____], representing \$[____] on deposit in the funds and accounts maintained for the 2013B Certificates and released in connection with their prepayment. Such amount shall be applied to prepay the outstanding 2013B Certificates on the Closing Date with respect to the 2025-[R1] Certificates]/[The Trustee shall deposit into the escrow fund (the “Escrow Fund”) established pursuant to an Escrow Agreement dated as of even date herewith (the “Escrow Agreement”) by and between the City and U.S. Bank Trust Company, National Association, as Escrow Agent (the “Escrow Agent”) the aggregate sum of \$[____], representing certain proceeds of the 2025-[R1] Certificates in the amount of \$[____] together with \$[____] on deposit in the funds and accounts maintained for the 2025-[R1] Certificates and released in connection with their prepayment. Such amount shall be invested by the Escrow Agent in accordance with the terms of the Escrow Agreement, and the investment receipts and other cash, if any, on deposit in the Escrow Fund shall be applied by the Escrow Agent to prepay the outstanding 2025-[R1] Certificates on the date or prepayment specified in the Escrow Agreement.]

(b) Upon sale of the 2025-[R2] Certificates, when the same shall be sold to the original purchaser thereof, an amount of proceeds from such sale equal to [\$_____] (calculated as the principal amount represented by the 2025-[R2] Certificates (\$[____]), [plus/less] a [net/aggregate] original issue [premium/discount] of \$[____], less an underwriter’s discount of \$[____]), shall be delivered to the Trustee and deposited by the Trustee as follows

(1) The Trustee shall deposit into the 2025-[R2] Costs of Issuance Account the sum of \$[____]. Such amount shall be held in the 2025-[R2] Costs of Issuance Account separate from any other moneys in the Costs of Issuance Fund.

(2) [The Trustee shall deposit into the 2025-[R2] Reserve Account in the Reserve Fund the sum of \$[____] representing the Reserve Requirement as applicable to the 2025-[R2] Certificates only as of the Closing Date. The 2025-[R2] Reserve Account shall only be available for payments with respect to the 2025-[R2] Certificates.]

(3) [The Trustee shall deposit into the Base Rental Fund the aggregate sum of \$[____], representing \$[____] on deposit in the funds and accounts maintained for the 2013C Certificates and released in connection with their prepayment. Such amount shall be applied to prepay the outstanding 2013C Certificates on the Closing Date with respect to the 2025-[R2] Certificates]/[The Trustee shall deposit into the escrow fund (the “Escrow Fund”) established pursuant to an Escrow Agreement dated as of even date herewith (the “Escrow Agreement”) by and between the City and U.S. Bank Trust Company, National Association, as Escrow Agent (the “Escrow Agent”) the aggregate sum of \$[____], representing certain proceeds of the 2025-[R2] Certificates in the amount of \$[____] together with \$[____] on deposit in the funds and accounts maintained for the 2025-[R2] Certificates and released in connection with their prepayment. Such amount shall be invested by the Escrow Agent in accordance with the terms of the Escrow Agreement, and the investment receipts and other cash, if any, on deposit in the Escrow Fund shall be applied by the Escrow Agent to prepay the

outstanding 2025-[R2] Certificates on the date or prepayment specified in the Escrow Agreement.]

Section 4. Establishment and Application of 2025-[R1] Costs of Issuance Account and 2025-[R2] Costs of Issuance Account.

(a) There is hereby established in trust a special account designated as the “2025-[R1] Costs of Issuance Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such account as provided herein. There shall be deposited in the 2025-[R1] Costs of Issuance Account that portion of the proceeds of the 2025-[R1] Certificates required to be deposited therein pursuant to Section 3 hereof. The Trustee shall disburse money from the 2025-[R1] Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance with respect to the 2025-[R1] Certificates, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached to the Original Trust Agreement as Exhibit B. Any amounts remaining in the 2025-[R1] Costs of Issuance Account on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance with respect to the 2025-[R1] Certificates have been paid or the date twelve (12) months from the Closing Date shall be transferred by the Trustee to the 2025-[R1] Project Account or such other fund or account that has been approved in writing by a City Representative, and the 2025-[R1] Costs of Issuance Account shall then be closed.

(b) There is hereby established in trust a special account designated as the “2025-[R2] Costs of Issuance Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such account as provided herein. There shall be deposited in the 2025-[R2] Costs of Issuance Account that portion of the proceeds of the 2025-[R2] Certificates required to be deposited therein pursuant to Section 3 hereof. The Trustee shall disburse money from the 2025-[R2] Costs of Issuance Account on such dates and in such amounts as are necessary to pay Costs of Issuance with respect to the 2025-[R2] Certificates, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative in the form attached to the Original Trust Agreement as Exhibit B. Any amounts remaining in the 2025-[R2] Costs of Issuance Account on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance with respect to the 2025-[R2] Certificates have been paid or the date twelve (12) months from the Closing Date shall be transferred by the Trustee to the 2025-[R2] Project Account or such other fund or account that has been approved in writing by a City Representative, and the 2025-[R2] Costs of Issuance Account shall then be closed.

Section 5. [Reserve Requirement]/[No Reserve Requirement].

(a) [The Reserve Requirement for the 2025-[R1] Certificates shall be [___ dollars (\$___,00)]. Amounts on deposit in the Reserve Fund shall not be available to support payments with respect to the 2025-[R1] Certificates, and amounts on deposit in the 2025-[R1] Reserve Account in the Reserve Fund shall not be available to support payments with respect to any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Trust Agreement, including without limitation the 2025-[R2] Certificates.]/[The Reserve Requirement for the 2025-[R1] Certificates

shall be zero dollars (\$0.00). Amounts on deposit in the Reserve Fund shall not be available to support payments with respect to the 2025-[R1] Certificates.]

(b) [The Reserve Requirement for the 2025-[R2] Certificates shall be [___ dollars (\$___00)]. Amounts on deposit in the Reserve Fund shall not be available to support payments with respect to the 2025-[R2] Certificates, and amounts on deposit in the 2025-[R2] Reserve Account in the Reserve Fund shall not be available to support payments with respect to any other certificates of participation of the City authorized and issued pursuant to additional, respective, executed and delivered supplements to the Original Trust Agreement, including without limitation the 2025-[R1] Certificates.]/[The Reserve Requirement for the 2025-[R2] Certificates shall be zero dollars (\$0.00). Amounts on deposit in the Reserve Fund shall not be available to support payments with respect to the 2025-[R2] Certificates.]

Section 6. Prepayment. The Additional Certificates shall be subject to prepayment prior to their stated Certificate Payment Dates only as set forth below:

(a) Optional Prepayment of 2025-[R1] Certificates. The 2025-[R1] Certificates with a Certificate Payment Date on or after March 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 March 1, 20[___], at the option of the City, in the event the City exercises its option under Section 7 of the Original Project Lease 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, without premium. In the event the City gives notice to the Trustee of its intention to exercise such prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given. As provided in the Original Trust Agreement, The City may direct the Trustee to provide a conditional notice of prepayment of the 2025-[R1] Certificates identified in such notice, and such notice shall specify its conditional status.

(b) Optional Prepayment of 2025-[R2] Certificates. The 2025-[R2] Certificates with a Certificate Payment Date on or after March 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 March 1, 20[___], at the option of the City, in the event the City exercises its option under Section 7 of the Original Project Lease 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, without premium. In the event the City gives notice to the Trustee of its intention to exercise such prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, the City will continue to pay the Base Rental payments as if no such notice were given. As provided in the Original Trust Agreement, The City may direct the Trustee to provide a conditional notice of prepayment of the 2025-[R2] Certificates identified in such notice, and such notice shall specify its conditional status.

(c) Sinking Account Installment Prepayment of 2025-[R1] Certificates. The 2025-[R1] Certificates with a Certificate Payment Date of March 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each

March 1, beginning March 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R1] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
(March 1)

Sinking Account
Installment Amount

The 2025- [R1] Certificates with a Certificate Payment Date of March 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each March 1, beginning March 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R1] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
(March 1)

Sinking Account
Installment Amount

(d) Sinking Account Installment Prepayment of 2025-[R2] Certificates. The 2025-[R2] Certificates with a Certificate Payment Date of March 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each March 1, beginning March 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R2] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date
(March 1)

Sinking Account
Installment Amount

The 2025- [R2] Certificates with a Certificate Payment Date of March 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each March 1, beginning March 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R2] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date

Sinking Account

(_____ 1)

Installment Amount

(e) Special Mandatory Prepayment. The 2025-[R1/2] Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the Base Rental Fund pursuant to Section 4.09 or Section 4.10 of the Original Trust Agreement following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect. Such mandatory prepayment of Base Rental shall be applied pro rata among all series of Certificates.

Section 7. Rebate Accounts.

(a) There is hereby established within the Rebate Fund a special account designated the “2025-[R1] Rebate Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other accounts and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement for the 2025-[R1] Certificates as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the 2025-[R1] Rebate Account. Amounts on deposit in the 2025-[R1] Rebate Account shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

(b) There is hereby established within the Rebate Fund a special account designated the “2025-[R2] Rebate Account,” which shall be held by the Trustee and which shall be kept separate and apart from all other accounts and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement for the 2025-[R2] Certificates as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the 2025-[R2] Rebate Account. Amounts on deposit in the 2025-[R2] Rebate Account shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

Section 8. Amendments to Trust Agreement. The City and the Trustee hereby agree to amend the Trust Agreement as follows:

[To come: Update to City procurement provisions.]

This First Supplement to Trust Agreement and all the terms and provisions herein contained shall form part of the Original Trust Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Original Trust Agreement, as amended and supplemented by the First Supplement to Trust Agreement. The Original Trust Agreement is

hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

Section 9. Governing Law. This First Supplement to Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10. Counterparts. This First Supplement to Trust Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

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

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

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

ATTEST:

By: _____
[Controller][Mayor]

By: _____
Clerk of the Board of Supervisors

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
Deputy City Attorney

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: _____

SECOND AMENDMENT AND SUPPLEMENT TO PROJECT LEASE

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, 2025

NO DOCUMENTARY TRANSFER TAX DUE

This Second Amendment and Supplement to Project Lease is exempt pursuant to
Section 27383 of the California Government Code.

THIS SECOND AMENDMENT AND SUPPLEMENT TO PROJECT LEASE , dated as of ____1, 2025_ (this “Second Supplement to Project Lease”), by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California (the “City”), as lessee, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, 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 and the Trustee, have previously entered into a Property Lease, dated as of October 1, 2013 (the “Original Property Lease”), pursuant to which the City leased certain real property and all improvements thereon, generally consisting of certain land and improvements comprising portions of the Laguna Honda Hospital campus within the City (“Laguna Honda Hospital”), owned by the City and located at 375 Laguna Honda Boulevard within the City and portions of the James R. Herman Cruise Terminal at Pier 27 (“Pier 27 Terminal” and, together with Laguna Honda Hospital, the “Prior Leased Property”) to the Trustee; and

WHEREAS, the Trustee and the City have previously entered into a Project Lease, dated as of October 1, 2013 (the “Original Project Lease”), pursuant to which the Trustee leased the Prior Leased Property back to the City.

WHEREAS, the City previously caused the execution and delivery of the City and County of San Francisco Certificates of Participation, Series 2013B (Port Facilities Project) (the “2013B Certificates”) and the City and County of San Francisco Certificates of Participation, Series 2013C (Port Facilities Project) (the “2013C Certificates” and, together with the 2013B Certificates, the “2013BC Certificates”) pursuant to a Trust Agreement, dated as of October 1, 2013, by and between the City and the Trustee (the “Original Trust Agreement”).

WHEREAS, the 2013BC Certificates evidenced direct undivided interests in the lease payments made by the City under the Original Project Lease.

WHEREAS, the City and the Trustee have previously entered into a First Amendment to Property Lease, dated as of February 1, 2015 (the “First Amendment to Property Lease”), amending the Original Property Lease (the Original Property Lease as so amended, the “Existing Property Lease”), a First Amendment to Project Lease, dated as of February 1, 2015 (the “First Amendment to Project Lease”), amending the Original Project Lease (the Original Project Lease as so amended, the “Existing Project Lease”), and a Partial Termination Agreement dated as of February 1, 2015 (the “Partial Termination Agreement”).

WHEREAS, the First Amendment to Property Lease, the First Amendment to Project Lease and the Partial Termination Agreement provided for the release of Laguna Honda Hospital from the Prior Leased Property (such property as modified upon such release being the “Leased Property” under the Existing Property Lease and Existing Project Lease), as contemplated by Section 7.02 of the Original Trust Agreement.

WHEREAS, a portion of the 2013BC Certificates currently remain outstanding and unpaid and may be prepaid and retired by the City upon meeting certain conditions (the “Refunded Certificates”).

WHEREAS, Chapter 43, Article VIII, Section 43.8.1 of the San Francisco Administrative Code (the “Administrative Code”) provides that the policy of the City is to permit the refunding of outstanding lease obligations of the City whenever such refunding shall result in net debt service savings to the City pursuant to the procedure set forth in such Article as well as by any other method permitted by law or other ordinance of the Board.

WHEREAS, the Original Trust Agreement provides for the issuance of additional certificates of participation (as defined in the Original Trust Agreement, “Additional Certificates”) by the execution and delivery of a supplement to the Original Trust Agreement and authorizes the principal and interest with respect to Additional Certificates to be secured by a supplement to the Existing Original Project Lease and to be paid from amounts paid by the City under a supplement to the Existing Original Project Lease.

WHEREAS, the Trustee is executing and delivering Additional Certificates pursuant to the Original Trust Agreement, as supplemented by the First Supplement to Trust Agreement (as so supplemented, the “Trust Agreement”), to provide funds, together with other available funds of the City, to (i) prepay all or any portion of the Refunded Certificates, including the payment of any interest accrued on the principal amounts thereof through the date of payment; [and] (ii) [fund a reserve fund, reserve surety or other reserve fund instrument, as appropriate; and (iii)] pay costs of the execution and delivery of the Additional Certificates;

WHEREAS, the Trustee is simultaneously executing and delivering the City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project) (the “2025-[R1] Certificates”) and the City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project) (the “2025-[R2] Certificates” and, collectively with 2025-[R1] Certificates, the “2025-R1/2 Certificates”) as Additional Certificates pursuant to the Trust Agreement;

WHEREAS, the City and Trustee are entering into this Second Supplement to Project Lease to provide for additional Base Rental in connection with the 2025-R1/2 Certificates and certain related matters; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree to supplement the Existing Project Lease 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 Second Supplement to Project Lease, which constitutes the principal and interest represented by the 2025-[R1] Certificates and 2025-[R2] Certificates, respectively. 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. Base Rental is payable on or before the fourth Business Day immediately preceding each Interest Payment Date during the

Project Lease Term. Such Base Rental provided in Exhibit A is supplemented to the amounts due as provided in Section 3.2 and Exhibit A of the Existing Project Lease.

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 Project Lease 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 Project Lease as follows:

[To come: Amendments to update the City procurement provisions.]

Section 3 Existing Project Lease Still in Effect. This Second Supplement to Project Lease and all the terms and provisions herein contained shall form part of the Existing Project Lease, as fully and with the same effect as if all such terms and provisions had been set forth in the Existing Project Lease. The Existing Project Lease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

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

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

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

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

By: _____
Authorized Signatory

CITY AND COUNTY OF SAN FRANCISCO

By: _____
[Controller][Mayor]

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

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.

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.

WITNESS my hand and official seal.

203119010.2

**ESCROW AGREEMENT
(SERIES [_____] CERTIFICATES)**

By and Between

THE CITY AND COUNTY OF SAN FRANCISCO

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Escrow Bank**

Dated as of [MONTH] 1, 2025

Relating to

CITY AND COUNTY OF SAN FRANCISCO

[_____]

**ESCROW AGREEMENT
(SERIES _____ CERTIFICATES)**

THIS ESCROW AGREEMENT (SERIES _____ CERTIFICATES), dated as of _____ 1, 2025 (the “**Escrow Agreement**”), by and between the City and County of San Francisco (“**City**”) and U.S. Bank Trust Company, National Association, as escrow bank (the “**Escrow Bank**”), is entered into in accordance with Ordinance No. _____ of the City, adopted by the Board of Supervisors on _____, 2024, and duly approved by the Mayor of the City on _____, 2025, to refund certain outstanding certificates of participation of the City.

W I T N E S S E T H:

WHEREAS, the City previously caused to be issued its _____ (the “**Refunded Certificates**”) in the original aggregate principal amount of \$ _____; and

WHEREAS, the Refunded Certificates were issued pursuant to (i) Ordinance No. _____ adopted by the Board of Supervisors of the City on _____, 20__, duly approved by the Mayor of the City on _____, 20__ (the “**Refunded Certificates Ordinance**”) and (ii) the Trust Agreement dated as of October 1, 2013, by and between the City and U.S. Bank Trust Company National Association, as successor in interest to U.S. Bank National Association, as trustee (the “**Trustee**,” such agreement the “**Trust Agreement**”), by and between the City and the Trustee; and

WHEREAS, the City has determined to issue its Refunding Certificates of Participation, Series 2025-[__] (Port Facilities Project) in the aggregate principal amount of \$ _____ (the “**Certificates**”) for the purpose of providing moneys, a portion of which will be used to optionally prepay on _____, 20__ (“**Prepayment Date**”) the outstanding Refunded Certificates, at a prepayment price equal to 100% of the outstanding aggregate principal amount thereof, together with interest accrued with respect to the Refunded Certificates through the Prepayment Date (“**Prepayment Price**”); and

WHEREAS, by irrevocably depositing with the Escrow Agent a specified amount of the proceeds from the sale of the Certificates and directing the Escrow Agent to invest such amounts in certain investments satisfying the criteria set forth in Section 11.01 of the Trust Agreement (the “**Defeasance Securities**”), the Escrow Agent will have money sufficient to pay on _____, 2025, the Prepayment Price of the \$ _____ outstanding principal amount of the Refunded Certificates to be prepaid on such date, together with accrued interest thereon; and

WHEREAS, the City has taken action to cause to be issued or delivered to the Escrow Bank for deposit in or credit to the escrow funds established and maintained by it moneys to be held and invested as described herein.

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

SECTION 1 Deposit of Moneys. On _____, 2025 (the “**Closing Date**”), the City shall cause to be transferred to the Escrow Bank \$ _____ (comprised of (i) a portion of the net sale proceeds of the Certificates in the amount \$ _____, [(ii) \$ _____ representing a pro rata portion of the \$ _____ good faith deposit (the “**Good Faith Deposit**”) received _____, as

custodian, on _____, 2025 and credited against the net sale proceeds of the Certificates,] and (iii) \$_____ consisting of moneys held under the Trust Agreement), to be held in irrevocable escrow by the Escrow Bank separate and apart from all other securities, investments or moneys on deposit with the Escrow Bank, in a fund hereby created and established and to be known as the “**Escrow Fund**,” and to be applied solely as provided in this Escrow Agreement. The City confirms that such moneys are at least equal to an amount sufficient to pay the Prepayment Price of the Refunded Certificates on the Prepayment Date.

The Escrow Bank shall invest \$_____ of the moneys deposited into the Escrow Fund under this Section 1 in the following Defeasance Securities, and the Escrow Bank shall hold the remaining \$_____ in cash, uninvested.

<u>Type</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Purchase Price</u>
_____	_____, 2025	\$_____	_____%	\$_____

SECTION 2 Use of Moneys. The Escrow Bank acknowledges receipt of the moneys described in Section 1 and agrees:

(a) to hold the moneys described in Section 1 hereof in the Escrow Fund and invest such moneys as described in Section 1 hereof; and

(b) to make the payments required under Section 3 hereof at the times set forth in Section 3 hereof.

SECTION 3 Prepayment of the Refunded Certificates. On the Prepayment Date, the Escrow Bank shall transfer from the Escrow Fund amounts sufficient to pay the Prepayment Price of the Refunded Certificates on the Prepayment Date. Such transfers shall constitute the respective payments of the principal and interest with respect to the Refunded Certificates and Prepayment Price due from the City. The holders of the Refunded Certificates shall have a first lien on the moneys in the Escrow Fund which are allowable and sufficient to pay their Refunded Certificates until such moneys are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Escrow Fund are irrevocably pledged only to the holders of the Refunded Certificates. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Bank pursuant to the provisions of Section 1 hereof, the holders of the Refunded Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement.

SECTION 4 Performance of Duties. The Escrow Bank agrees to perform the duties set forth herein.

SECTION 5 Indemnity. The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, directors, officers, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed

on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds deposited therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Bank's respective agents and employees. In no event shall the City or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section 5. The indemnities contained in this Section 5 shall survive the termination of this Escrow Agreement or the earlier removal or resignation of the Escrow Bank.

SECTION 6 Responsibilities of the Escrow Bank. The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of the funds deposited in the Escrow Fund to accomplish the defeasance of the Refunded Certificates or any payment, transfer or other application of moneys or obligations by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the funds deposited in the Escrow Fund to accomplish the refunding of the Refunded Certificates on the Prepayment Date or to the validity of this Escrow Agreement as to the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability with respect thereto. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement. The Escrow Bank undertakes to perform such duties and only such duties as are specifically and expressly set forth in this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Bank. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City.

The liability of the Escrow Bank to make the payments required by this Escrow Agreement shall be limited to the moneys in the Escrow Fund.

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

The Escrow Bank shall not be liable for the accuracy of any calculations provided herein.

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

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

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

The Escrow Bank may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action. The permissive rights of the Escrow Bank to do things enumerated in this Escrow Agreement shall not be construed as a duty, and the Escrow Bank shall not be answerable for other than its negligence or willful misconduct.

The Escrow Bank shall be entitled to request and receive written instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Escrow Agreement and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been

sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Bank and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 7 Irrevocable Instructions as to Notice. The Escrow Bank shall mail a notice of optional prepayment with respect to the Refunded Certificates no later than _____, 2025 in the form attached hereto as EXHIBIT A, in accordance with the provisions of the Trust Agreement, and file such notice with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("**EMMA**"). The Escrow Bank is hereby further instructed to mail and to file with EMMA within five (5) business days of the Closing Date a notice of defeasance of the Refunded Certificates in the form attached hereto as Exhibit B Exhibit B Exhibit B . The sole remedy for the Escrow Bank's failure to file such notice on EMMA shall be an action by the holders of the Refunded Certificates in mandamus for specific performance or similar remedy to compel performance. The Escrow Bank hereby acknowledges that upon the funding of the Escrow Fund as provided in this Escrow Agreement, it is in receipt of the items constituting all of the conditions precedent to the prepayment of the Refunded Certificates under the Trust Agreement, the Refunded Certificates shall be paid in accordance with the Trust Agreement and after the Escrow Bank's receipt of the documents required to be delivered to it in connection with the defeasance of the Refunded Certificates pursuant to the Trust Agreement, the Refunded Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement.

SECTION 8 Amendments. This Escrow Agreement is made for the benefit of the City and the holders from time to time of the Refunded Certificates and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Bank and the City; provided, however, but only after the receipt by the Escrow Bank of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest on the Certificates and the Refunded Certificates will not be adversely affected for federal income tax purposes, the City and the Escrow Bank may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not materially adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Bank for the benefit of the holders of the Refunded Certificates any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon,

such holders or the Escrow Bank; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Bank shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 8, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Certificates or that any instrument executed hereunder complies with the conditions and provisions of this Section 8.

SECTION 9 Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Certificates have been paid in accordance with this Escrow Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Bank and all amounts owed to the Escrow Bank shall have been paid in full. Any unclaimed money which remains in the Escrow Funds for two years from the date upon which the Refunded Certificates have been paid in accordance with this Escrow Agreement shall be remitted by the Escrow Bank (without liability for interest) to the City.

SECTION 10 Compensation. The Escrow Bank shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Bank under this Escrow Agreement.

SECTION 11 Resignation or Removal of Escrow Bank.

(a) The Escrow Bank may resign and be discharged from its duties and obligations hereunder at any time by giving 30 days prior written notice in writing to the City. The Escrow Bank may be removed: (1) by: (i) the filing with the City of an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of each series of Refunded Certificates then remaining unpaid; and (ii) the delivery of a copy of the instruments filed with the City to the Escrow Bank; or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by the City or the holders of 5% in aggregate principal amount of the Refunded Certificates then remaining unpaid.

(b) No resignation or removal of the Escrow Bank shall become effective until a successor Escrow Bank has been appointed hereunder and until the cash held under this Escrow Agreement is transferred to the new Escrow Bank. The City or the holders of a majority in principal amount of the Refunded Certificates then remaining unpaid may, by an instrument or instruments filed with the City, appoint a successor Escrow Bank who shall supersede any Escrow Bank theretofore appointed by the City. If no successor Escrow Bank is appointed by the City or the holders of such Refunded Certificates then remaining unpaid, within 45 days after notice of any such resignation or removal, the holder of any such Refunded Certificates or any retiring Escrow Bank may apply to a court of competent jurisdiction for the appointment of a successor Escrow Bank.

SECTION 12 Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or

agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 13 Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 14 Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

SECTION 15 Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Escrow Bank are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 16 Assignment. This Escrow Agreement shall not be assigned by the Escrow Bank or any successor thereto without the prior written consent of the City, except such assignment in connection with a merger, conversion or consolidation as described in Section 6 hereof shall not require such prior written consent of the City.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

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

CITY AND COUNTY OF SAN FRANCISCO

By: _____
[_____]
Controller

[SIGNATURES CONTINUED ON NEXT PAGE.]

[SIGNATURE PAGE CONTINUED.]

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Escrow Bank

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FULL OPTIONAL PREPAYMENT

**City and County of San Francisco
Certificates of Participation
Series [____], (____)**

NOTICE IS HEREBY GIVEN, that the City and County of San Francisco (the “City”) has called for prepayment on _____, 2025 (the “**Prepayment Date**”) all of the certificates of participation listed below (collectively, the “**Certificates**”) at a prepayment price of 100% (the “**Prepayment Price**”), together with accrued interest to the Prepayment Date. On the Prepayment Date, there will become due and payable the Prepayment Price of the Certificates, together with interest accrued thereon to the Prepayment Date. From and after the Prepayment Date, interest shall cease to accrue on the Certificates and the Certificates shall be surrendered.

CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION

CUSIP NUMBER (Base: _____)	SERIES [____] MATURITY DATE (_____)	AMOUNT
--------------------------------------	---	---------------

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

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

IMPORTANT NOTICE

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

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

Dated: _____, 2025.

City and County of San Francisco

By: U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION as Escrow Bank.

Exhibit B

NOTICE OF DEFEASANCE

**City and County of San Francisco
Certificates of Participation
Series [____], (____)**

Notice is hereby given to the owners of the outstanding certificates of participation described below (the “**Refunded Certificates**”): (i) that there has been deposited with U.S. Bank Trust Company, National Association, as escrow bank (the “**Escrow Bank**”) pursuant to the Escrow Agreement (____), dated as of _____ 1, 2025, by and between the City and County of San Francisco (the “**City**”) and the Escrow Bank moneys, as permitted by both the ordinance of the Board of Supervisors of the City pursuant to which the Refunded Certificates were issued (the “**Refunded Certificates Ordinance**”) and the trust agreement pursuant to which the Refunded Certificates were issued (the “**Trust Agreement**”), that are sufficient (as evidenced by a verification report delivered to the Escrow Bank) and available to prepay the Refunded Certificates on _____, 2025, at a prepayment price equal to 100% of the aggregate principal amount of the Refunded Certificates plus accrued interest with respect thereto; and (ii) that the Refunded Certificates are deemed to be paid and all obligations of the City under the Refunded Certificates Ordinance and the Trust Agreement with respect to all Refunded Certificates have ceased and terminated, except as expressly set forth therein. The Refunded Certificates that have been defeased are as follows:

**CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION
SERIES [____]**

CUSIP NUMBER
(Base: _____)

MATURITY DATE
(_____)

AMOUNT

All Refunded Certificates shall be surrendered at the following address:

Delivery Instructions:

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

No representation is made as to the correctness of the CUSIP number either as printed on any Refunded Certificates or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for Prepayment of the Refunded Certificates.

In accordance with the Trust Agreement, all liability of the City in respect of such Refunded Certificates shall cease and terminate and be completely discharged and satisfied and all payments of the interest on, and the principal or prepayment price of, such Refunded Certificates shall be paid only from moneys on deposit with the Trustee and available as aforesaid.

Dated this ____ day of _____, 2025.

U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION

\$[_____]]
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION

consisting of

\$ _____
SERIES 2025-[R1]
(Port Facilities Project)
(Non-AMT)

\$ _____
SERIES 2025-[R2]
(Port Facilities Project)
(AMT)

PURCHASE CONTRACT

_____, 2025

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

Ladies and Gentlemen:

The undersigned _____, 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 October 1, 2013, as amended and supplemented by the First Supplement to Trust Agreement, dated as of [_____] 1, 2025 (as so amended and supplemented, the “Trust Agreement”), each 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 2025-[R1] Certificates shall be \$_____, calculated as the principal amount of the 2025-[R1] 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 purchase price for the 2025-[R2] Certificates shall be \$_____, calculated as the principal amount of the 2025-[R2] 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 _____, 2025 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the execution and delivery of the Certificates by the Underwriters prior to the availability of the Official Statement. The City represents that the Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, ratings and other terms of the Certificates dependent on such matters.

The City shall provide the Underwriters, within seven (7) business days after the date hereof, with the Official Statement in a form that permits the Underwriters to comply with Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB"), which Official Statement shall be in the form of the Preliminary Official Statement with such changes thereto as are necessary to reflect the sale of the Certificates or as have been approved by the Representative (which approval shall not be unreasonably withheld), as requested by the Representative. The City authorizes and approves the distribution by the Underwriters of the Official Statement in connection with the execution and delivery of the Certificates. The City

authorizes the Representative to file, and the Representative hereby agrees to file at or prior to the Closing Date (as defined herein), the Official Statement with the MSRB on its Electronic Municipal Market Access (“EMMA”) system in accordance with Rule G-32. The Official Statement, including the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto on or prior to the Closing Date is herein referred to as the “Official Statement.”

Section 3. Authorization and Purpose of the Certificates. The City has the authority to execute and deliver the Certificates pursuant to the provisions of Ordinance No. _____ (the “Ordinance”), providing for the execution and delivery of Certificates 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 Project Lease, dated as of October 1, 2013, as amended and supplemented by the First Amendment to Project Lease, dated as of February 1, 2015, and the Second Amendment and Supplement to Project Lease, dated as of [_____] 1, 2025 (as so amended and supplemented, the “*Project Lease*”) between the City and Trustee. Pursuant to the Project Lease, the City will pay the Base Rental Payments in consideration for use and occupancy of certain real property owned by the City (the “*Leased Property*”), which the City has leased to the Trustee pursuant to a Property Lease, dated as of October 1, 2013, as amended by the First Amendment to Property Lease, dated as of February 1, 2015 (as so amended, the “*Property Lease*”) between the City and Trustee, and the City has subleased the Leased Property back from the Trustee pursuant to the Project Lease.

The Certificates are being executed and delivered for the purpose of providing funds, together with other available funds of the City, to (i) prepay [all/a portion of] the outstanding City and County of San Francisco Certificates of Participation, Series 2013B (Port Facilities Project) and the outstanding City and County of San Francisco Certificates of Participation, Series 2013C (Port Facilities Project) (collectively, the “*Refunded Certificates*”), including the payment of any interest accrued on the principal amounts thereof through the date of payment; [and] (ii) [fund a reserve fund, reserve surety or other reserve fund instrument, as appropriate; and (iii)] pay costs of the execution and delivery of the Certificates.

[On the Closing Date, a portion of the proceeds of the Certificates, [including the Good Faith Deposit (defined herein)] will be deposited into an escrow fund relating to the Refunded Certificates held by U.S. Bank Trust Company, National Association, as escrow bank (in such capacity, the “*Escrow Bank*”), under an Escrow Agreement dated as of [_____] 1, 2025 (the “*Escrow Agreement*”), by and between the City and the Escrow Bank.]

The Certificates shall be payable solely from, and secured solely by, a pledge of and charge and lien upon the Base Rental Payments to be made by the City pursuant to the Project Lease and are payable to the Trustee by the City from its General Fund for the right by the City to use and occupy the Leased Property for so long as the City has such use and occupancy of the Leased Property. The City has covenanted under the Project Lease that it will take such action as may be

necessary to include the Base Rental Payments in its annual budget and to make the necessary annual appropriations therefor.

This Purchase Contract, the Trust Agreement, the Project Lease, the Property Lease, the Continuing Disclosure Certificate and [the Escrow Agreement] (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 effect on its ability to pay the Base Rental Payments; or (v) contesting the completeness or accuracy of the Preliminary Official Statement or the

Official Statement or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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

(i) The City Documents when executed or adopted by the City, and the Certificates when 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 15c2-12 in 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 party*” 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 Co-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 under 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 (5th) 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 _____, 2025, 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 or Amira Jackmon, Esq. (“Co-Special Counsel”), in San Francisco, California, or at such other place as may be mutually agreed upon by the City and the Underwriters. Such payment and delivery is called the “Closing.” The Representative shall order CUSIP

identification numbers and the City shall cause such CUSIP identification numbers to be printed on the Certificates, but neither the failure to print any such number on any Certificate nor any error with respect thereto shall constitute cause for failure or refusal by the Representative to accept delivery of and pay for the Certificates in accordance with the terms of this Purchase Contract. Physical delivery of the Certificates shall be made to the City Treasurer, as agent for DTC under the Fast Automated Securities Transfer System, 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, Co-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) the opinions of Co-Special Counsel, in substantially the forms set forth in Appendix F to the Official Statement;

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

(8) negative assurance letters from Hawkins Delafield & Wood LLP and Stradling, Yocca, Carlson & Rauth, 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 Co-Special Counsel;

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

(12) evidence satisfactory to the Representative that [Moody's Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc.] have assigned the ratings to the Certificates set forth in the Official Statement;

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

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

(15) [a defeasance opinion(s), dated the Closing Date, of Co-Special Counsel with respect to the Refunded Certificates;]

(16) [verification report issued by _____ regarding the sufficiency of the securities and cash on deposit in the Escrow Fund (as defined in the Escrow Agreement) to pay the redemption prices of and the debt service due on the Refunded Certificates;]

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

(18) 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 Co-Special Counsel, Co-Disclosure Counsel and Backstrom McCarley Berry & Co., LLC, San Francisco, 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 338
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.

[Signature page follows.]

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: _____

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 Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require any subcontractors to comply with such provisions. Each Underwriter is subject to the enforcement and penalty provisions in Chapters 12B and 12C.

(b) *Nondiscrimination in the Provision of Employee Benefits.* San Francisco Administrative Code 12B.2. Each Underwriter does not as of the date of this Purchase Contract, and will not during the term of this Purchase Contract, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of employee benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees, subject to the conditions set forth in San Francisco Administrative Code Section 12B.2.

(c) *Condition to Contract.* As a condition to the Purchase Contract, each Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

2. MacBride Principles—Northern Ireland. The provisions of San Francisco Administrative Code §12F are incorporated by this reference and made part of this Purchase Contract. By entering into this Purchase Contract, each Underwriter confirms that it has read and understood that the City urges companies doing business in Northern Ireland to resolve employment inequities and to abide by the MacBride Principles, and urges San Francisco companies to do business with corporations that abide by the MacBride Principles.

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

4. Alcohol and Drug-Free Workplace. The City reserves the right to deny access to, or require each Underwriter to remove from, City facilities personnel of such Underwriter who the City has reasonable grounds to believe has engaged in alcohol abuse or illegal drug activity which in any way impairs the City’s ability to maintain safe work facilities or to protect the

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

5. Compliance with Americans with Disabilities Act. Each Underwriter shall provide the services specified in the Purchase Contract in a manner that complies with the Americans with Disabilities Act (ADA), including but not limited to Title II's program access requirements, and all other applicable federal, state and local disability rights legislation.

6. Sunshine Ordinance. Each Underwriter acknowledges that this Purchase Contract and all records related to its formation, such Underwriter's performance of services provided under the Purchase Contract, and the City's payment are subject to the California Public Records Act, (California Government Code §6250 et. seq.), and the San Francisco Sunshine Ordinance, (San Francisco Administrative Code Chapter 67). Such records are subject to public inspection and copying unless exempt from disclosure under federal, state or local law.

7. Limitations on Contributions. By executing this Purchase Contract, each Underwriter acknowledges 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

\$ _____

Refunding Certificates of Participation
Series 2025-[R1]
(Port Facilities Project)
(Non-AMT)

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$ _____

Refunding Certificates of Participation
Series 2025-[R2]
(Port Facilities Project)
(AMT)

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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EXHIBIT A
FORM OF ISSUE PRICE CERTIFICATE
Pertaining to
\$[_____]
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION

consisting of

\$ _____ SERIES 2025-[R1] (Port Facilities Project) (Non-AMT)	\$ _____ SERIES 2025-[R2] (Port Facilities Project) (AMT)
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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
REFUNDING CERTIFICATES OF PARTICIPATION**

consisting of

\$_____
SERIES 2025-[R1]
(Port Facilities Project)
(Non-AMT)

\$_____
SERIES 2025-[R2]
(Port Facilities Project)
(AMT)

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 _____, 2025 (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 2025 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: _____, 2025.

Name

Office

Signature

EXHIBIT C
FORM OF OPINION OF CITY ATTORNEY

EXHIBIT D

FORM OF SUPPLEMENTAL OPINION OF CO-SPECIAL COUNSEL

EXHIBIT E
FORM OF OPINION OF CO-DISCLOSURE COUNSEL

EXHIBIT F

FORM OF RELIANCE LETTER OF CO-DISCLOSURE COUNSEL

NOTICE OF INTENTION TO SELL

\$[_____]*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION

CONSISTING OF

\$_____* SERIES 2025-[R1] (PORT FACILITIES PROJECT) (NON-AMT)	\$_____* SERIES 2025-[R2] (PORT FACILITIES PROJECT) (AMT)
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NOTICE IS HEREBY GIVEN that the City and County of San Francisco (the “City”) intends to offer the \$_____ * aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project) (Non-AMT) (the “2025-[R1] Certificates”) and all, but not less than all, of the \$_____ * aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project) (AMT) (the “2025-[R2] Certificates”) and, together with the 2025-[R1] Certificates, the “Certificates” and each a “Series” of Certificates) for public sale on:

The 2025-[R1] Certificates will be offered on
[_____] , 2024*
at [8:30] a.m. (California time)

The 2025-[R2] Certificates will be offered on
[_____] , 2024*
at [9:00] a.m. (California time)

(in each case 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: Backstrom McCarley Berry & Co., LLC, Attention: Vincent McCarley, 155 Sansome

* Preliminary, subject to change.

Street, Mezzanine A, San Francisco, California 90404, Telephone: (415) 4392-5505, e-mail:VMcCarley@bmcbco.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

OFFICIAL NOTICE OF SALE

\$[_____]*

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

consisting of

\$_____*
SERIES 2025-[R1]
(Port Facilities Project)
(Non-AMT)

\$_____*
SERIES 2025-[R2]
(Port Facilities Project)
(AMT)

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: [_____] , 2025*
(Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)

TIME: [8:30] a.m.,* California time, for the 2025-[R1] Certificates

[9:00] a.m.,* California time, for the 2025-[R2] Certificates

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

DELIVERY DATE: [_____] , 2025*

* Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

\$[_____]*

CITY AND COUNTY OF SAN FRANCISCO REFUNDING CERTIFICATES OF PARTICIPATION

consisting of

\$_____*

SERIES 2025-[R1]
(Port Facilities Project)
(Non-AMT)

\$_____*

SERIES 2025-[R2]
(Port Facilities Project)
(AMT)

NOTICE IS HEREBY GIVEN that electronic bids will be received the by City and County of San Francisco's (the "City") 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 \$_____ aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project) (Non-AMT) (the "**2025-[R1] Certificates**") and all, but not less than all, of the \$_____ aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project) (AMT) (the "**2025-[R2] Certificates**" and, together with the 2025-[R1] Certificates, the "**Certificates**" and each a "**Series**" of 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 [____], 2025 (the "**Preliminary Official Statement**").

Time: Bids for the 2025-[R1] Certificates must be received electronically by [8:30] a.m., California time, on [____], 2025 (subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale).

Bids for the 2025-[R2] Certificates must be received electronically by [9:00] a.m., California time, on [____], 2025 (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.

* Preliminary, subject to change.

THE RECEIPT OF BIDS ON [____], 2025*, MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY 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:

Backstrom McCarley Berry & Co., LLC,
Attention: Vincent McCarley
155 Sansome Street, Mezzanine A
San Francisco, California 90404
Telephone: (415) 4392-5505
e-mail:VMcCarley@bmcbco.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 of one or more Series 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 CO-SPECIAL COUNSEL AND OTHER INFORMATION REGARDING THE CERTIFICATES ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE CERTIFICATES. THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE CERTIFICATES CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

The 2025-[R1] Certificates and the 2025-[R2] Certificates are being offered for sale separately. See "TERMS OF SALE." Set forth below are descriptions of the terms of the 2025-[R1] Certificates and terms of the 2025-[R2] Certificates.

Issue. Each Series of 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 of such Series (each a **"Purchaser"**), all dated the date of delivery, which is expected to be [____], 2025*. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Certificates of such Series.

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 of each Series, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Terms of the 2025-[R1] Certificates

Interest Rates. Interest evidenced and represented by the 2025-[R1] Certificates will be payable on [March/September] 1, 20[___], and semi-annually thereafter on March 1 and September 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 2025-[R1] Certificates. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided:

* Preliminary, subject to change.

- (i) each interest rate specified in any bid for the 2025-[R1] 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 2025-[R1] Certificate maturing on and after March 1, 20[__] shall be [__]% per annum;
- (iv) no 2025-[R1] Certificate shall bear a zero rate of interest;
- (v) each 2025-[R1] 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 2025-[R1] 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 2025-[R1] Certificates. Principal shall be payable on March 1 of each year, commencing on March 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 2025-[R1] Certificates shall be March 1, 20[__].

Bidders may provide that all the 2025-[R1] Certificates will be executed and delivered as serial 2025-[R1] Certificates or may provide that any one or more consecutive annual principal payments be combined into one or more term 2025-[R1] Certificates.

The principal amount of the 2025-[R1] Certificates maturing or subject to sinking account installment payment in any year shall be in integral multiples of \$5,000. For any term 2025-[R1] Certificates specified, the principal amount for a given year may be allocated only to a single term 2025-[R1] Certificate and must be part of an uninterrupted annual sequence from the first sinking account installment payment to the term 2025-[R1] Certificate maturity. The principal amount of the serial maturity or sinking fund account installment payment for the 2025-[R1] Certificates is shown below for information purposes only. **Bidders for the 2025-[R1] 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 2025-[R1] Certificates in each year is as follows:

2025-[R1] Certificates

Maturity Date (March 1)	Principal Amount*
	\$

TOTAL	\$ [_____]
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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 2025-[R1] Certificates after the determination of the winning bidder, by adjusting one or more of the principal payments of the 2025-[R1] Certificates, in increments of \$5,000, as determined in the sole discretion of**

* Preliminary, subject to change.

the City. Any such adjustment will not change the average per 2025-[R1] 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 2025-[R1] 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 2025-[R1] 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 2025-[R1] CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE 2025-[R1] CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Prepayment.*

(i) Optional Prepayment of the 2025-[R1] Certificates. The 2025-[R1] Certificates with a 2025-[R1] Certificate Payment Date on or after March 1, 20[___], will be subject to optional prepayment prior to their respective stated 2025-[R1] Certificate Payment Dates, in whole or in part on any date on or after March 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 2025-[R1] Certificates will be subject to mandatory prepayment prior to their respective 2025-[R1] 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.*"

Mandatory Sinking Account Installment Prepayment. The principal component of the Base Rental payments evidenced by the 2025-[R1] Certificates is further subject to prepayment prior to the respective stated Certificate Payment Dates on March 1 of each year for which a sinking account installment prepayment is specified by the bidder, by lot in the principal component to be prepaid plus accrued interest to the prepayment date, without premium, but only in amounts equal

* Preliminary, subject to change.

to, and in accordance with, the scheduled prepaid components of the Base Rental evidenced by the 2025-[R1] Certificates to be prepaid.

Terms of the 2025-[R2] Certificates

Interest Rates. Interest evidenced and represented by the 2025-[R2] Certificates will be payable on [March/September] 1, 20[___], and semi-annually thereafter on March 1 and September 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 2025-[R2] 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 2025-[R2] 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 2025-[R2] Certificate maturing on and after March 1, 20[___] shall be [___]% per annum;
- (iv) no 2025-[R2] Certificate shall bear a zero rate of interest;
- (v) each 2025-[R2] 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 2025-[R2] 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 2025-[R2] Certificates. Principal shall be payable on March 1 of each year, commencing on March 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 2025-[R2] Certificates shall be March 1, 20[___].

Bidders may provide that all the 2025-[R2] Certificates will be executed and delivered as serial 2025-[R2] Certificates or may provide that any one or more consecutive annual principal payments be combined into one or more term 2025-[R2] Certificates.

The principal amount of the 2025-[R2] Certificates maturing or subject to sinking account installment payment in any year shall be in integral multiples of \$5,000. For any term 2025-[R2] Certificates specified, the principal amount for a given year may be allocated only to a single term 2025-[R2] Certificate and must be part of an uninterrupted annual sequence from the first sinking account installment payment to the term 2025-[R2] Certificate maturity. The principal amount of the serial maturity or sinking fund account installment payment for the 2025-[R2] Certificates is

shown below for information purposes only. **Bidders for the 2025-[R2] 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 2025-[R2] Certificates in each year is as follows:

2025-[R2] Certificates

Maturity Date (March 1)	Principal Amount*
	\$

TOTAL	\$ [_____]
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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 2025-[R2] Certificates after the determination of the winning bidder, by adjusting one or more of the principal payments of the 2025-[R2] Certificates, in increments of \$5,000, as determined in the sole discretion of**

* Preliminary, subject to change.

the City. Any such adjustment will not change the average per 2025-[R2] 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 2025-[R2] 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 2025-[R2] 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 2025-[R2] CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE 2025-[R2] CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Prepayment.*

(iii) Optional Prepayment of the 2025-[R2] Certificates. The 2025-[R2] Certificates with a 2025-[R2] Certificate Payment Date on or after March 1, 20[___], will be subject to optional prepayment prior to their respective stated 2025-[R2] Certificate Payment Dates, in whole or in part on any date on or after March 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.*"

(iv) Special Mandatory Prepayment. The 2025-[R2] Certificates will be subject to mandatory prepayment prior to their respective 2025-[R2] 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.*"

(v) Mandatory Sinking Account Installment Prepayment. The principal component of the Base Rental payments evidenced by the 2025-[R2] Certificates is further subject to prepayment prior to the respective stated Certificate Payment Dates on March 1 of each year for which a sinking account installment prepayment is specified by the bidder, by lot in the principal component to be prepaid plus accrued interest to the prepayment date, without premium, but only

* Preliminary, subject to change.

in amounts equal to, and in accordance with, the scheduled prepaid components of the Base Rental evidenced by the 2025-[R2] Certificates to be prepaid.

Legal Opinions and Tax Matters. Upon delivery of the 2025-[R1] Certificates, Norton Rose Fulbright US LLP and Amira Jackmon, Esq., Co-Special Counsel to the City (“**Co-Special Counsel**”), will each deliver their legal opinions as to the validity and enforceability and tax status of the 2025-[R1] Certificates.

Upon delivery of the 2025-[R2] Certificates, Co-Special Counsel, will each deliver their legal opinions as to the validity and enforceability and tax status of the 2025-[R2] Certificates.

A complete copy of the proposed forms of opinions of Co-Special Counsel is set forth in Appendix F to the Preliminary Official Statement. A copy of the opinions of Co-Special Counsel will be furnished to the Purchaser upon delivery of the Certificates.

See the Preliminary Official Statement – “TAX MATTERS.”

TERMS OF SALE

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

Form of Bids; Delivery of Bids. Each bid for a Series of the Certificates must be: (1) for not less than all of such Series of 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 of such Series.

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

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

Warnings Regarding Electronic Bids. None of the City, the City Attorney, the Municipal Advisor or Co-Special Counsel assumes any responsibility for any error contained

in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission.

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 each Series of the Certificates or rejecting all bids 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 of a Series of Certificates:

- (1) The Municipal Advisor, on behalf of the City, will give a verbal notice of award to the apparent winning bidder (the "**Apparent Winning Bidder**") to be determined as described below under "–Basis of Award;"
- (2) Such Apparent Winning Bidder shall, promptly after such verbal award, but no later than one hour after the City has given notice of such verbal award, email to the City (in c/o its Municipal Advisor and to the City's Director of Public Finance at the email addresses provided for such purpose) a signed copy of their bid;
- (3) The Apparent Winning Bidder shall provide the Good Faith Deposit, as described under "–Good Faith Deposit;"

- (4) The Municipal Advisor will email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Certificates, after adjustments, if any, are made, as described under “TERMS RELATING TO THE CERTIFICATES – Adjustment of Principal Payments;” and
- (5) The City will email to the Apparent Winning Bidder its written final award.

Upon completion of the steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the applicable Series of Certificates and will be contractually bound by the terms of this Official Notice of Sale to purchase the applicable Series of 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, each Series of 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 a Series of the Certificates to the dated date of the Certificates results in an amount equal to the principal amount of such Series of Certificates plus the amount of any net premium. For the purpose of calculating the true interest cost, sinking account installment prepayments for any term Certificates specified by a bidder will be treated as Certificates maturing on the dates of such sinking account installment prepayments. In the event that two or more bidders offer bids for a Series of Certificates at the same true interest cost, the City will determine by lot which bidder will be awarded such Series of Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

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

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

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder of a Series of Certificates to comply with the terms of its bid, the apparent winning bidder for such Series of Certificates must provide to the City a good faith deposit in the amount of \$[_____] for the 2025-[R1] Certificates and the amount of \$[_____] for the 2025-[R2] Certificates (the “**Good Faith Deposit**”).

Upon the determination by the City of the Apparent Winning Bidder of a Series of Certificates, the Municipal Advisor will (i) provide to the Apparent Winning Bidder 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 of the applicable Series 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 of the applicable Series purchased by the Purchaser thereof at the time of delivery thereof.

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

Reoffering Prices, Establishment of Issue Price and Certificate. [Under review.]

(i) The winning bidder for a Series of Certificates shall assist the City in establishing the issue price of the Certificates of such Series 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 of such Series, 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 Co-Special Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates of a Series 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 of a Series 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 of a Series from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Certificates of a Series 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 Series of Certificates as specified in the bid.

(iii) If the competitive sale requirements are not satisfied for the Certificates of a Series, 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 applicable Series of 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 of such Series. 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 of a Series 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 of the applicable Series not satisfy the competitive sale requirements, the - hold-the-offering-price rule may apply to certain maturities of the Certificates of such Series. For purposes of this section, Certificates of a Series maturing on the same date but having different interest rates (and CUSIP numbers) shall be treated as separate maturities of the Certificates of such Series.

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

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

- (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates of such Series 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 of such Series 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 of such Series 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 of such Series to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates of such Series.

(vi) By submitting a bid for the Certificates of a Series, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail or other third-party distribution agreement (to which the bidder is a party) relating to the initial sale of such Certificates of such Series to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to 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 of such Series to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail or other third party distribution agreement to be employed in connection with the initial sale of the Certificates of such Series to the public to require each broker-dealer that is a party to such retail or other third party distribution agreement to 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 of a Series 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 of such Series 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 of such Series 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 of such Series to the public),
- (3) a purchaser of any of the Certificates of such Series is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (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 of such Series 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.

Time of Award. The Controller of the City will take official action awarding each Series of Certificates or rejecting all bids with respect to the Certificates of a Series not later than 30 hours after the time for receipt of bids for the Certificates of such Series, 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 of each Series of Certificates must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of the Certificates of such Series 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 [____], 2025*.** 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

* Preliminary; subject to change.

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 CO-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 each Series of 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 of such Series; 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 applicable Series of Certificates for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells 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.

Right of Cancellation. A Purchaser will have the right, at its option, to cancel this contract if the City fails to execute the applicable Series of 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 of the Series of Certificates, 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. A Purchaser 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 a Series of Certificates, the Purchaser thereof 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 such Series of Certificates to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases the Certificates of such Series.

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, each Purchaser 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 applicable Series of Certificates as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the applicable Series 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 herein, 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 hereby.

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

Dated: [_____], 2025.

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
REFUNDING CERTIFICATES OF PARTICIPATION
[Series 2025-[R1] (Port Facilities Project) (Non-AMT)]/
[Series 2025-[R2] (Port Facilities Project) (AMT)]**

This certificate is being delivered by _____, the purchaser (the “Purchaser”) in connection with the issuance of the above-captioned certificates of participation (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 _____, 2025.

(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 and Amira Jackmon, Esq., Co-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
REFUNDING CERTIFICATES OF PARTICIPATION
[Series 2025-[R1] (Port Facilities Project) (Non-AMT)]/
[Series 2025-[R2] (Port Facilities Project) (AMT)]**

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 _____, 2025.

(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 and Amira Jackmon, Esq., Co-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)

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2025

NEW ISSUE – BOOK-ENTRY ONLY

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

[In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel to the City, . . .] [Co-Special Counsel to provide updated tax language]. See "TAX MATTERS" herein.

\$(PAR AMOUNT [R1])[R2]]*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION



\$(PAR AMOUNT [R1]]*	\$(PAR AMOUNT [R2]]*
SERIES 2025-[R1]	SERIES 2025-[R2]
(PORT FACILITIES PROJECT)	(PORT FACILITIES PROJECT)
[(Non-AMT)]	[(AMT)]

**evidencing proportionate interests of the Owners thereof in a Project Lease,
including the right to receive Base Rental payments to be made by the
CITY AND COUNTY OF SAN FRANCISCO**

Dated: Date of Delivery

Due: [March] 1, as shown on the inside cover pages

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

The City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project) (the "2025-[R1] Certificates") and the City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project) (the "2025-[R2] Certificates," and together with the 2025-[R1] Certificates, the "Certificates") will be sold to provide funds: (i) prepay certain outstanding certificates of participation of the City, as further described herein (collectively, the "Prepaid Certificates") and (ii) pay costs of execution and delivery of the Certificates and the prepayment of the Prepaid Certificates. See "PLAN OF PREPAYMENT AND THE LEASED PROPERTY" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2013, as supplemented and amended by the First Supplement to Trust Agreement, dated [____] 1, 2025 (as supplemented and amended, the "Trust Agreement"), by and between the City and County of San Francisco (the "City") and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental (as defined herein) payable by the City pursuant to a Project Lease dated as of October 1, 2013, as supplemented and amended, including by the Second Amendment and Supplement to Project Lease, dated [____] 1, 2025 (as supplemented and amended, the "Project Lease"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental (as defined herein) payments in its annual budget, and to make necessary annual appropriations sufficient, in both time and amount, to pay, when due, the scheduled principal and interest represented by the Certificates. See "SECURITY AND 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 Project Lease (as further described herein, the "Leased Property"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The Leased Property will generally consist of the site and facilities of Pier 27, located along The Embarcadero, San Francisco, California, 94111, as further described herein. See "PLAN OF PREPAYMENT AND THE LEASED PROPERTY" herein. **Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.** See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on [March] 1 and [September] 1 of each year, commencing [____] 1, 20[25]. Principal will be paid as shown on the inside cover pages hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to their scheduled payment of principal as described herein.* See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY WILL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE PROJECT LEASE AND NEITHER THE CITY NOR ANY OF ITS OFFICERS WILL INCUR ANY LIABILITY OR ANY

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED [____], 2025

OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE “CERTAIN RISK FACTORS.”

[[BIDS FOR THE PURCHASE OF THE 2025-[R1] CERTIFICATES WILL BE RECEIVED BY THE CITY AT [____] A.M. PACIFIC TIME ON [____], 2025, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [____], 2025, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE.] [BIDS FOR THE PURCHASE OF THE 2025-[R2] CERTIFICATES WILL BE RECEIVED BY THE CITY AT [____] A.M. PACIFIC TIME ON [____], 2025, AS PROVIDED IN THE OFFICIAL NOTICE OF SALE INVITING BIDS DATED [____], 2025, UNLESS POSTPONED AS SET FORTH IN SUCH OFFICIAL NOTICE OF SALE.] See “SALE OF THE CERTIFICATES” herein.]

CERTIFICATE PAYMENT SCHEDULE

(See inside cover pages)

The Certificates are offered when, as and if executed and received by the initial purchaser or purchasers of the Certificates, subject to the approval of the validity of the Project Lease by Norton Rose Fulbright US LLP, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Co-Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about [____], 2025.

Dated: [____] __, 2025

CERTIFICATE PAYMENT SCHEDULE

**\$(PAR AMOUNT [R1])*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2025-[R1]
(PORT FACILITIES PROJECT)
[(Non-AMT)]**

(Base CUSIP[†] Number: 79765D)

<u>Certificate Payment Date</u> <u>([March] 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield¹</u>	<u>Price¹</u>	<u>CUSIP[†]</u> <u>Suffix</u>
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\$_____ % Term Certificate due [March] 1, 20__ Yield¹ _____ % Price¹ ____ CUSIP[†] Number: 79765D__

* Preliminary, subject to change.

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

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

CERTIFICATE PAYMENT SCHEDULE

**\$(PAR AMOUNT [R2])*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2025-[R2]
(PORT FACILITIES PROJECT)
[(AMT)]**

(Base CUSIP[†] Number: 79765D)

<u>Certificate Payment Date</u> <u>([March] 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield¹</u>	<u>Price¹</u>	<u>CUSIP[†]</u> <u>Suffix</u>
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\$_____ % Term Certificate due [March] 1, 20__ Yield¹ _____ % Price¹ _____ CUSIP[†] Number: 79765D_____

* Preliminary, subject to change.

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

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

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

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

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

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

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events, 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. Except to the extent provided in the Continuing Disclosure Certificate relating to the Certificates to be executed by the City, 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*

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Newport Beach, California

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



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OFFICIAL STATEMENT

[\$[PAR AMOUNT [R1]][R2]]* CITY AND COUNTY OF SAN FRANCISCO REFUNDING CERTIFICATES OF PARTICIPATION

[\$[PAR AMOUNT [R1]]* SERIES 2025-[R1] (PORT FACILITIES PROJECT) (Non-AMT)	[\$[PAR AMOUNT [R2]]* SERIES 2025-[R2] (PORT FACILITIES PROJECT) (AMT)
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**evidencing proportionate interests of the Owners thereof in a Project Lease,
including the right to receive Base Rental payments to be made by the
CITY AND COUNTY OF SAN FRANCISCO**

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the “City”) of its City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R1] (Port Facilities Project) (the “2025-[R1] Certificates”) and its City and County of San Francisco Refunding Certificates of Participation, Series 2025-[R2] (Port Facilities Project) (the “2025-[R2] Certificates,” and together with the 2025-[R1] Certificates, the “Certificates”). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – DEFINITIONS.” 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 the Leased Property (as defined herein) to U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the “Trustee”) under the Property Lease, dated as of October 1, 2013 (the “Original Property Lease”), by and between the City, as lessor, and the Trustee, as lessee, as supplemented and amended by the First Amendment to Property Lease, dated February 1, 2015 (the “First Amendment to Property Lease”) (as so supplemented and amended, the “Property Lease”). The Trustee will lease the Leased Property back to the City for the City’s use under the Project Lease, dated as of October 1, 2013 (the “Original Project Lease”), by and between the Trustee, as lessor, and the City, as lessee, as supplemented and amended by the First Amendment to Project Lease, dated as of February 1, 2015, and the Second Amendment and Supplement to Project Lease, dated [_____] 1, 2025 relating to the Certificates (the “Second Amendment to Project Lease”) (as so supplemented and amended, the “Project Lease”).

The Leased Property will generally consist of the site and facilities of Pier 27, as further described herein. See “PLAN OF PREPAYMENT AND THE LEASED PROPERTY.” The City will be obligated under the Project Lease to pay Base Rental payments and Additional Rental (each as defined in APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS”) payments to the Trustee each year during the term of the Project Lease (subject to certain conditions under which obligation to pay Base Rental may be “abated” as discussed herein). Each payment of Base Rental consists of principal and interest components, and when received by the Trustee in each rental period, is deposited in trust for payment of the

* Preliminary, subject to change.

Certificates. The Trustee creates the “certificates of participation” in the Project Lease, representing proportional interests in the principal and interest components of Base Rental payments it receives from the City. The Trustee will apply Base Rental payments it receives to pay principal and interest with respect to each Certificate when due according to the Trust Agreement, dated as of October 1, 2013 (the “Original Trust Agreement”), by and between the City and the Trustee, as supplemented and amended by the First Supplement to Trust Agreement, dated as of [] 1, 2025 relating to the Certificates (the “First Supplement to Trust Agreement”) (as so supplemented and amended, the “Trust Agreement”), which governs the security and terms of payment of the Certificates. **Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.** See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

The money received from the sale of the Certificates will be applied by the Trustee, at the City’s direction, to (i) prepay certain outstanding obligations of the City, as further described herein (collectively, the “Prepaid Certificates”) and (ii) to pay costs of execution and delivery of the Certificates and the prepayment of the Prepaid Certificates. See “PLAN OF PREPAYMENT AND THE LEASED PROPERTY” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property. Upon the delivery of the Certificates and prepayment of the Prepaid Certificates, no other certificates of participation of the City will be outstanding under the Trust Agreement on parity with and secured by Base Rental payments relating to the Leased Property, other than the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Certificates”, “PLAN OF PREPAYMENT AND THE LEASED PROPERTY” and “CERTIFICATE PAYMENT SCHEDULE” herein.

Guide to this Official Statement. The Leased Property is described herein in the section “PLAN OF PREPAYMENT AND THE LEASED PROPERTY.” The application of the proceeds of sale of the Certificates is described in the sections “PLAN OF PREPAYMENT 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 Property Lease, the Project Lease and the Trust Agreement are provided in APPENDIX C.

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

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, the resolutions and ordinances providing for the execution and delivery of the Certificates, provisions of the constitution and statutes of the State of California (the “State”), the City’s charter and resolutions, ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 338, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites and other materials which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and, therefore, such materials are not incorporated herein by such references and are not deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the “Bay”). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about an hour’s drive to the south, and the Napa-Sonoma wine country is about an hour 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 [2023-24] was \$[175,597]. The San Francisco Unified School District (“SFUSD”), which is a separate legal entity from the City, operates 73 elementary schools, 13 middle schools, 17 high schools, 47 early education schools, and 3 County and Court schools. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the UC College of the Law, San Francisco (formerly University of California Hastings College of the Law), the University of the Pacific’s School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the 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 2024-25 and 2025-26 totals \$15.9 billion and \$15.6 billion, respectively. The General Fund portion of each year’s proposed budget is \$6.9 billion in fiscal year 2024-25 and \$7.1 billion in fiscal year 2025-26, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission of the City (the “Commission”), and the San Francisco Public Utilities Commission (“SFPUC”). According to the Controller of the City (the “Controller”), at the start of

fiscal year 2024-25, total net assessed valuation of taxable property in the City was approximately \$351.3 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 20[24]."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates will be executed and delivered pursuant to the Trust Agreement. Each Certificate represents a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to the Project Lease. The City is obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the Leased Property. The Leased Property will be originally conveyed to the Trustee pursuant to the Property Lease.

The Original Trust Agreement, the Original Property Lease, and the Original Project Lease were approved by the Board of Supervisors of the City by its Resolution No. 152-12 and Resolution No. 300-13, adopted on May 1, 2012 and July 30, 2013, respectively, and signed by the Mayor on May 8, 2012 and August 7, 2013, respectively. The First Supplement to Trust Agreement and the Second Amendment to Project Lease were approved by the Board of Supervisors of the City by Ordinance No. [____], adopted on [____], 20[24] and signed by the Mayor on [____], 20[24] (the "Ordinance"). The Ordinance authorized the execution and delivery of the Certificates as Additional Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under the Project Lease. 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 [March] 1 of each year shown on the inside cover pages 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 [March] 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 [March] 1 and [September] 1 of each year, commencing on [____] 1, 20[25] (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental payments designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which

interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payments of interest represented by the Certificates will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date.

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. Principal, premium, if any, and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such amounts to the DTC participants for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interests 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 2025-[R1] Certificates with a Certificate Payment Date on or after [March] 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 [March] 1, 20[___] at a prepayment price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

The 2025-[R2] Certificates with a Certificate Payment Date on or after [March] 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 [March] 1, 20[___] at a prepayment price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

Mandatory Sinking Account Installment Prepayment. The 2025-[R1] Certificates with a Certificate Payment Date of [March] 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [March] 1, beginning [March] 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R1] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

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

* Maturity

* Preliminary, subject to change.

The 2025-[R2] Certificates with a Certificate Payment Date of [March] 1, 20[___], are subject to sinking account installment prepayment prior to their Certificate Payment Date in part, by lot, on each [March] 1, beginning [March] 1, 20[___], in the amounts set forth below, from scheduled payments of the principal component of Base Rental payments, at the principal amount of the 2025-[R2] Certificates to be prepaid, plus accrued interest to the prepayment date, without premium:

Prepayment Date ([March] 1)	Sinking Account Installment Amount
<hr/>	

* Maturity

Special Mandatory Prepayment. The Certificates are 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.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates (other than from Sinking Account Installments) and less than all of the Outstanding Certificates are to be prepaid, the City will direct the principal amount of each Series of the Certificates to be prepaid from among the Certificates scheduled to be paid on various Certificate Payment Dates. Among the Certificates scheduled to be paid on a particular Certificate Payment Date, the Trustee will select Certificates for prepayment by lot in any manner which the Trustee in its sole discretion deems fair and appropriate; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment. Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 30 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry only system is used for any Certificates, notice with respect thereto will be given solely 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 delivery date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Each 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 the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

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.

Conditional Notice; Cancellation of Optional Prepayment. The City may provide a conditional notice of prepayment and such notice will specify its conditional status.

If the Certificates are subject to optional prepayment, and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, the prepayment will be canceled, and in such case, the City, the Trustee and the Owners will be restored to their former positions and rights under the Trust Agreement, and the City will continue to pay the Base Rental payments as if no such notice were given. Such a cancellation of an optional prepayment at the election of the City will not constitute a default under the Trust Agreement, and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee will send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein will affect the sufficiency of such cancellation.

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

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 ten days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City 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.

PLAN OF PREPAYMENT AND THE LEASED PROPERTY

Plan of Prepayment

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Certificates.” The City plans to use a portion of the proceeds of the Certificates to prepay the following outstanding obligations of the City (collectively, the “Prepaid Certificates”): *[TABLES TO BE CONFIRMED]*

**Certificates of Participation, Series 2013B
(Port Facilities Project)
(Non-AMT)**

CUSIP¹ (79765D)	Maturity Date (March 1)	Interest Rate	Amount Outstanding²	Amount to be Prepaid	Prepayment Date]
B82	2036 ³	5.25%	\$1,920,000	\$1,920,000	
B90	2038 ³	4.75	2,910,000	2,910,000	
Subtotal			\$4,830,000	\$4,830,000	

**Certificates of Participation, Series 2013C
(Port Facilities Project)
(AMT)**

CUSIP¹ (79765D)	Maturity Date (March 1)	Interest Rate	Amount Outstanding²	Amount to be Prepaid	Prepayment Date
D56	2025	5.00%	\$780,000	\$780,000	
D64	2026	5.00	815,000	815,000	
D72	2027	5.25	855,000	855,000	
D80	2028	5.25	900,000	900,000	
D98	2029	5.25	950,000	950,000	
E22	2030	5.25	1,000,000	1,000,000	
E30	2031	5.25	1,050,000	1,050,000	
E48	2032	5.25	1,105,000	1,105,000	
E55	2033	5.25	1,165,000	1,165,000	
E63	2043 ³	5.00	10,575,000	10,575,000	
Subtotal			\$19,195,000	\$19,195,000	
Total Prepaid Certificates:			\$24,025,000	\$24,025,000	

¹ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® numbers are provided for convenience of reference only. None of the City or their agents or counsel assume responsibility for the accuracy of such numbers.

² As of [____], 2025.

³ Term Certificate.

Proceeds from the sale of the Prepaid Certificates were primarily used to finance the costs of various facilities and improvements owned, operated and/or managed by the Commission, including without limitation the design, demolition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration and/or replacement of the following facilities (collectively, the “Project”): (i) Pier 27, located along The Embarcadero, San Francisco 94111, (ii) a shoreside power facility at Pier 70, located along 20th Street, San Francisco 94117, including the removal of seven PCB containing transformers, (iii) Piers 30 and 32, located along The Embarcadero, San Francisco 94105, (iv) Piers 19, 23, and 29 public access and water quality improvements, and (v) various capital improvements to these and other Piers located along The Embarcadero.

A portion of the proceeds of the Certificates, together with certain other available moneys, will be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) pursuant to one or more Escrow Agreements (each, an “Escrow Agreement,” and collectively, the “Escrow Agreements”) to be executed and delivered by the City and the Escrow Agent in connection with the Prepaid Certificates. The amounts deposited with the Escrow Agent under each Escrow Agreement will be sufficient, together with investment earnings thereon, to pay the principal of and accrued interest on such Prepaid Certificates to the applicable prepayment dates or through the applicable maturity dates. See also “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

A portion of the proceeds of the Certificates will be also used to pay costs of execution and delivery of the Certificates and the prepayment of the Prepaid Certificates. See “ESTIMATED SOURCES AND USES OF FUNDS.”

The Leased Property

The Leased Property (as further described below, the “Leased Property”) will generally consist of the site and facilities of Pier 27 located along The Embarcadero, San Francisco, California 94111 (“Pier 27”). The Leased Property may be amended, released or substituted from time to time, as provided under the Project Lease. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Addition, Release and Substitution of Leased Property” and “CERTAIN RISK FACTORS – Release and Substitution of the Leased Property.”

Pier 27. [The Commission developed a primary cruise terminal at Pier 27 to replace the existing facility at Pier 35, which had neither the sufficient capacity to allow for the increasing length and passenger capacity of new cruise ships nor the amenities needed for an international cruise terminal. The cruise terminal on Pier 27 now serves as the primary cruise ship terminal, while the cruise terminal on Pier 35 is used as a secondary terminal in the event that two cruise ships require berthing on the same date. The cruise terminal is an approximately [88,000] square foot, two-level cruise terminal facility designed to meet modern ship and operational requirements of the cruise industry and provide an appropriate, welcoming gateway to the City. Additionally, the facility continues be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ships Festivals and visits by oceanic research vessels.]

[Additional details regarding Pier 27 to be provided by the City/Commission]

Pier 27 is considered part of the “Port Area,” which consists of all real and personal property owned, controlled or operated by the Commission, or over which the Commission has management, supervision or control, or is deemed by the Commission to be a benefit to the Port Area. See “CERTAIN RISK FACTORS – Burton Act and Transfer Agreement.”

Certain information regarding the Leased Property is summarized below.

Summary of Certain Information Regarding the Leased Property

Facility	Address	Completion Date of Improvements	Gross Square Feet (Building)	Estimated Value⁽¹⁾
Pier 27	The Embarcadero, San Francisco, California 94111	[]	[]	\$[] ⁽²⁾

⁽¹⁾ Such estimated values do not necessarily reflect the fair market value, or the actual sales price upon a sale or actual rent upon commercial leasing of the Leased Property. Given the size and unique nature of the Leased Property, comparable sales were not available to estimate value. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” herein.

⁽²⁾ Based on the City’s estimated valuation as of [], 20[] using a [] approach.
Source: City and County of San Francisco.

The Project Lease will require the City to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a 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. See SECURITY AND

SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property and APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – [The Project Lease – Insurance]” and “– [Second Amendment to Project Lease].”

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Certificates:

	2025-[R1]	2025-[R2]	Total
Estimated Sources of Funds:	Certificates	Certificates	Certificates
Certificate Par Amount			
Net Original Issue Premium			
Total Estimated Sources of Funds			
Estimated Uses of Funds:			
Prepayment of Prepaid Certificates ⁽¹⁾			
Costs of Delivery ⁽²⁾			
Total Estimated Sources of Funds			

⁽¹⁾ See “PLAN OF PREPAYMENT AND THE LEASED PROPERTY”

⁽²⁾ Includes amounts for legal fees, Trustee and escrow fees and expenses, municipal advisory fees, rating agency fees, printing costs, purchaser’s discount, Verification Agent fees and other delivery costs.

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CERTIFICATE PAYMENT SCHEDULE

The Trust Agreement requires that Base Rental payments payable by the City pursuant to the Project Lease be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply amounts in the Base Rental Fund as necessary to make principal and interest payments with respect to the Certificates as the same will become due and payable, as shown in the following table.

[illegible]

⁽¹⁾ Totals may not add due to independent rounding.

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 Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease terminates on [March] 1, 20[___], 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 Project or the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property; (iv) all amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates 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 Project Lease, 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.

Covenant to Budget

The City will covenant in the Project Lease 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 Project Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law.

If the City defaults on its covenant in the Project Lease to include all rental payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may retain the Project Lease 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 FISCAL YEAR ENDED JUNE 30, 20[24].” For a discussion of the City’s investment policy regarding pooled cash, see APPENDIX G: “CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER – INVESTMENT POLICY.”

Limited Obligation

The obligation of the City to make Base Rental or Additional Rental payments under the Project Lease does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See “CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City.”

Base Rental Payments; Additional Rental

Base Rental Payments. The City has covenanted in the Project Lease 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 is required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any fiscal year will not be in excess of the total fair rental value of the Leased Property for such fiscal year.

The Base Rental payments will be payable by the City on or before the fourth Business Day immediately preceding each Interest Payment Date, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of the Leased Property, or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See “– Abatement of Base Rental Payments” and “CERTAIN RISK FACTORS – Abatement.” The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City and the City has covenanted in the Project Lease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Project Lease in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Project Lease. See “– Covenant to Budget” above.

Additional Rental and the Working Capital Fund. Additional Rental payments due from the City to the Trustee 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 Project Lease and the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Project Lease. The City may, at its option, pay all or a portion of Additional Rental to the Trustee for deposit in the Working Capital Fund established under the Trust Agreement. Pursuant to the Trust Agreement, the Trustee will keep the Working Capital Fund separate and apart from all funds and moneys held by the Trustee. The Working Capital Fund is not pledged to the payment of the Certificates.

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 Project Lease 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 Project Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Project Lease regarding rental abatement. See “CERTAIN RISK FACTORS – Abatement.”

The City’s obligation under the Project Lease to make 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 (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues 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 of Base Rental payments 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 Project Lease may be extended until all amounts due under

the Project Lease and the Trust Agreement are fully paid, but in no event later than March 1, 2048. See “CERTAIN RISK FACTORS – Abatement.”

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Project Lease requires the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months. Pursuant to the Project Lease, rental interruption insurance is required to insure only against loss of rental income from the related 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 related Leased Property. Rental interruption insurance will also insure against loss of rental income from the related Leased Property caused by earthquake, only if the City obtains earthquake insurance. The City is not required to maintain flood insurance or rental interruption insurance relating to such coverage under the Project Lease. The City currently does not have earthquake or flood insurance on the Leased Property. 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 is required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the Certificates. The City is also required by the Project Lease 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 are sufficient to pay all amounts due under the Project Lease 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 Project Lease. See “– Addition, Release and Substitution of Leased Property” below.

No Reserve Fund for the Certificates

No reserve fund will be established for the Certificates.

Replacement, Maintenance and Repairs

The Project Lease requires the City, at its own expense and as determined and specified by the Director of Real Estate of the City, to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Project Lease. The Trust Agreement requires that if the Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the Certificates or replace or repair the affected portion of the Leased Property in accordance with the Project Lease, provided however that the City’s obligation to repair or replace any portion of the Leased Property pursuant to the Project Lease will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under the Project Lease, the City must replace any portion of the Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of the Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City is not required to repair or replace any such portion of the Leased Property if there is applied to the prepayment of Outstanding Certificates 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 Project Lease and under the Trust Agreement or (ii) any portion of the Certificates such that the resulting Rental Payments payable in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest evidenced and represented by all Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement to the extent they are due and payable in such Project Lease Year.

Notwithstanding anything herein to the contrary, in the event any proceeds of insurance or condemnation relate to Leased Property that is within the Port Area, either (i) such proceeds will be applied to

the cost of repair or replacement of such Leased Property or the affected portion thereof, (ii) the City will, subject to the limitations set forth under that certain Indenture of Trust, dated as of February 1, 2010, by and between the Commission and the trustee thereunder (as amended or supplemented from time to time, the “Port Indenture”), acquire and/or construct a new facility that will be substituted as the Leased Property pursuant to the Project Lease, or (iii) the City will otherwise substitute another site and facility as the Leased Property under the Project Lease. See APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Application of Insurance Proceeds” and “– Eminent Domain” and “– THE PROJECT LEASE – Insurance” and “– Eminent Domain.”

Insurance with Respect to the Leased Property

The Project Lease requires the City to maintain or cause to be maintained throughout the term of the Project Lease: (i) general liability insurance against damages occasioned by 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 any other liability insurance coverage maintained or caused by the City to be maintained; (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) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than \$5,000,000 per accident; and (iv) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) above and by earthquake insurance, if obtained by the City as provided below. All policies of insurance required under the Project Lease may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The Project Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount of the Certificates (to the extent commercially available, in the judgment of the City’s Risk Manager); provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies. [Based upon current market conditions and the recommendations of the Risk Manager of the City, the City has determined not to obtain earthquake insurance as of the date of this Official Statement]. *[City to confirm]*

The City is also required under the Project Lease to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a 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 is not required to maintain flood insurance (or rental interruption insurance relating to such coverage) under the Project Lease and [the City does not currently have or anticipate obtaining flood insurance on the Leased Property.] *[City to confirm]*

The City may self-insure against any of the risks required to be insured against in the Project Lease, except for self-insurance for rental interruption insurance and title insurance. [Except for all risk property insurance on the Leased Property, the City expects to self-insure for all other hazards for which the Project Lease permits self-insurance.] *[City to confirm]*

Notwithstanding anything herein to the contrary, in the event any proceeds of insurance or condemnation relate to Leased Property that is within the Port Area, either (i) such proceeds will be applied to the cost of repair or replacement of such Leased Property or the affected portion thereof, (ii) the City will, subject to the limitations set forth under the Port Indenture, acquire and/or construct a new facility that will be substituted as the Leased Property pursuant to the Project Lease, or (iii) the City will otherwise substitute another site and facility as the Leased Property under the Project Lease. See APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Application of Insurance Proceeds” and “– Eminent Domain” and “– THE PROJECT LEASE – Insurance” and “– Eminent Domain.”

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 Project Lease, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property or (ii) the Project Lease 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 Project Lease 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.

Notwithstanding anything herein to the contrary, in the event any proceeds of insurance or condemnation relate to Leased Property that is within the Port Area, either (i) such proceeds will be applied to the cost of repair or replacement of such Leased Property or the affected portion thereof, (ii) the City will, subject to the limitations set forth under the Port Indenture, acquire and/or construct a new facility that will be substituted as the Leased Property pursuant to the Project Lease, or (iii) the City will otherwise substitute another site and facility as the Leased Property under the Project Lease. See APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Application of Insurance Proceeds” and “– Eminent Domain” and “– THE PROJECT LEASE – Insurance” and “– Eminent Domain.”

Addition, Release and Substitution of Leased Property

If no Event of Default has occurred and is continuing under the Project Lease, the Project Lease may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, upon satisfaction of the conditions to such amendment and substitution in the Project Lease. See APPENDIX C: “SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE PROJECT LEASE – Addition, Release and Substitution.”

Additional Certificates

The Certificates are being delivered as Additional Certificates under the Trust Agreement and will be secured by Base Rental payments relating to the Leased Property. Upon the delivery of the Certificates and prepayment of the Prepaid Certificates, no other certificates of participation of the City will be outstanding under the Trust Agreement on parity with and secured by Base Rental payments relating to the Leased Property. See “PLAN OF PREPAYMENT AND THE LEASED PROPERTY” and “CERTIFICATE PAYMENT SCHEDULE” herein. The Trust Agreement and the Project Lease may be amended from time to time to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity with the Outstanding Certificates, provided that, among other requirements, the Base

Rental payable under the amended Project Lease is 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 by potential investors, along with all other information in this Official Statement, 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 does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates represent and are payable solely from Base Rental payments made by the City pursuant to the Project Lease and the Base Rental Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Project Lease, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

City 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, for example, "– Seismic Risks" and "– Climate Change, Risk of Sea Level Rise and Flooding Damage" below). See also APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" attached hereto.

The City continues to face material financial challenges, including actual and projected revenue losses, resulting from a variety of factors, including continuing remote work by a significant portion of the workforce (which has led to vacancies and declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in the City), continued weakness in the local hospitality and convention industries (resulting in declines in hotel and sales taxes from pre-pandemic levels), reduced funding to the City in State budgets and general economic conditions. The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the 4th quarter of 2019 to 33.7% in the 2nd quarter of 2024. As further described in Appendix A hereto, the conditions discussed above have contributed to projected budget deficits

(absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately \$1.36 billion in fiscal year 2027-28.

On June 10, 2024, the Controller issued its revenue letter in response to the City's proposed budget for fiscal years 2024-25 and 2025-26. The Controller's report noted that the City faces several key financial risks in coming fiscal years: the projected structural budget gap following depletion of one-time funds; economic risk; funding uncertainty at Laguna Honda Hospital; State budget revenue risk; disallowance of claims for federal revenues assumed in the City's emergency response budgets; and potential cost increases resulting from November 2024 ballot measures.

On August 5, 2024, the Controller issued a report on the status of the City economy for July 2024. The Controller's report noted that, among other matters, the City's office vacancy rate continued to rise during the April through June period, and there was little improvement in return to office or downtown BART metrics which along with hotel rates and occupancy remain significantly below pre-pandemic levels. Bridge crossings into and out of the City are also notably lower than pre-pandemic levels but showed slight growth from April to June.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth approximately \$41.4 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$6.7 billion in capital needs, including enhancements, are deferred from the capital plan's 10-year horizon.

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

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

There is no assurance that other challenges not discussed in this Official Statement may not become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 20[24]."

Additional Obligations

The City is currently liable for other obligations payable from its general revenues. 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. There are no restrictions in the Trust Agreement against the City incurring additional lease and other obligations payable from the City's General Fund. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO

ORGANIZATION AND FINANCES – Capital Financing and Bonds – Overlapping Debt,” “– Tax Supported Debt Service,” and “– Lease Payments and Other Long-Term Obligations.” See also APPENDIX B: “ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 20[24].”

Abatement

The obligation of the City under the Project Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property. Under certain circumstances, the City’s obligation to make Base Rental payments 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.”

Under the Project Lease, in the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, except that such extension will in no event extend beyond [March] 1, 20[___]. 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.

It is not possible to predict the circumstances under which such an abatement of Base Rental payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement. If the latter, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with any available insurance proceeds, are insufficient to make all payments with respect to the Certificates during the period that the Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the Project Lease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to the Certificates as a result of abatement of the City’s obligation to make Rental Payments under the Project Lease is not an event of default under the Trust Agreement or the Project Lease.

Notwithstanding the provisions of the Project Lease and the Trust Agreement specifying the extent of abatement in the event of the City’s failure to have use and possession of the Leased Property, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates.

No Reserve Fund for the Certificates

No reserve fund will be established for the Certificates.

Limited Recourse on Default; No Acceleration or Re-letting; Enforcement of Remedies

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due under the Project Lease by pursuant any remedy available in law or in equity, other than by terminating the Project Lease or re-entering and reletting the Leased Property, or except as expressly provided in the Project Lease. In addition, the Project Lease provides that no remedies may be exercised so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or subject to State personal income taxes. The enforcement of any remedies provided for in the Project Lease and in the Trust Agreement could prove to be both expensive and time consuming.

The Project Lease provides that any remedies on default will be exercised by the Trustee. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental payments when due, or if the City breaches any other terms, covenants or conditions contained in the Project Lease, the Property Lease or in the Trust Agreement (and does not remedy such breach with all reasonable dispatch within 60 days after notice thereof or, if such breach cannot be remedied within such 60-day period, the City fails to take corrective action within such 60-day period and diligently pursue the same to completion), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Certificates then outstanding, will proceed), without any further notice, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due by pursuing any remedy available in law or in equity, other than by terminating the Project Lease or re-entering and reletting the Leased Property, or except as expressly provided in the Project Lease. The Project Lease does not allow the remedy of re-entering and reletting of the Leased Property.

The enforcement of any remedies provided in the Project Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Project Lease and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

In the event of a default, there is no remedy of acceleration of the total Base Rental payments for the term of the Project Lease. 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 Project Lease, the Property Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent

conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "Bankruptcy" below.

Release and Substitution of the Leased Property

The Project Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE PROJECT LEASE – Addition, Release and Substitution." Although the Project Lease requires that the 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 does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within (or outside) the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the Certificates. Neither the Certificates nor the Base Rental payments are secured by any mortgage or deed of trust on the Leased Property or any portion thereof.

Bankruptcy

In addition to the limitations on remedies to be contained in the Trust Agreement and the Project Lease, the rights and remedies in the Trust Agreement and the Project Lease may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Project Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "Limited Recourse on Default; No Acceleration or Re-letting; Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code), as amended (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The Adjustment Plans approved by the Bankruptcy Courts in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease revenue obligations that were substantially identical or similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, if the Project Lease 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 Project Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Project Lease, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Project Lease and the City’s obligations to make payments thereunder. The City may also be permitted to assign the Project Lease (or the Property Lease) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

The Trust Agreement will state that the Trustee has entered into such agreement in its capacity as trustee and not in its individual corporate capacity. Were the Trustee to fail or become insolvent, federal regulatory authorities such as the Federal Deposit Insurance Corporation, the United States Comptroller of the Currency and the Federal Reserve Bank of the United States would have broad authority respecting the assets and liabilities of the Trustee. No opinion will be delivered in connection with the delivery of the Certificates to the effect that the Leased Property or payments by the City under the Project Lease do not constitute property of the Trustee or that the Trust Agreement or the Certificates do not constitute obligations of the Trustee. Were the Trustee to fail or become insolvent, the Project Lease, the Trust Agreement and/or the Certificates could be determined to be assets and/or liabilities of the Trustee. In such event, the holders of the Certificates could suffer a significant delay in payment and/or a loss of some portion or all of their investment

Burton Act and Transfer Agreement

A portion of the Leased Property is Pier 27 which is located in the Port Area under the jurisdiction of the Commission. The Port Area was transferred to the City by the State pursuant to special legislation, California Statutes 1968, Chapter 1333 (the “Burton Act”). The transfer was conditioned on the passage of certain Charter amendments, which were approved by the voters of the City at an election held on November 5, 1968. The transfer was effected pursuant to an agreement entered into between the State and the City, in accordance with the Burton Act, dated as of January 24, 1969 (the “Transfer Agreement”). The provisions of the Transfer Agreement generally follow those of the Burton Act itself. The amendments to the Charter were approved by the State Legislature as required by the Transfer Agreement.

The Burton Act provided for the transfer to the City, in trust for purposes of commerce, navigation and fisheries, of all of the real property located in the City and then under the jurisdiction of the San Francisco Port Authority of the State, and of all related personal property. The Burton Act and the Transfer Agreement provide that the Commission shall have complete authority to use, conduct, operate, maintain, manage, regulate, improve and control the harbor of the City (i.e., the Port Area), and to do all things necessary in connection therewith.

The Legislature reserved the right to amend, modify or revoke, in whole or in part, the transfer of lands in trust under the Burton Act, provided that the State assumes all lawful obligations related to such lands as may revert to the State. The State has never exercised this right, other than as part of the State’s budget for fiscal year 1992-93 when certain Port revenues were required to be diverted to the State. The transfer may also be revoked, by an action brought by the State Attorney General, for gross and willful violation of the terms of the transfer or the provisions of the Burton Act or other legislative enactment. No such action has ever been brought or threatened by the State Attorney General, nor is the Commission aware of any possible grounds for such an action.

Under the Burton Act, revocation, in whole or in part, of any transfer of lands in trust to the Commission may not impair or affect the rights or obligations of third parties, including bondholders and lessees, arising from existing leases, contracts or other agreements.

The title insurance policy relating to Pier 27 obtained under the Project Lease includes an exception to title as to matters arising under the Burton Act and the Transfer Agreement.

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

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 SFPUC to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately \$40 million in damage to parts of the City’s water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City.

Many areas of northern California have suffered from wildfires in more recent years, including the Tubbs fire which burned across several counties north of the Bay Area in October 2017 (part of a series of fires covering approximately 245,000 acres and causing 44 deaths and approximately \$14 billion in damage), the Camp fire which burned across Butte County, California in November 2018 (covering almost 240 square miles and resulting in numerous deaths and over \$16 billion in property damage), the Kincade Fire which burned across Sonoma County, California in late 2019 (covering over 77,000 acres), and the CZU Lightning Complex fires which burned across San Mateo and Santa Cruz County, California in mid-2020 (covering over 85,000 acres). Spurred by findings that certain of these fires were caused, in part, by faulty powerlines owned by PG&E, the power company subsequently adopted mitigation strategies which results in pre-emptive distribution circuit and high power transmission line shutoffs during periods of extreme fire danger (i.e., high winds, high temperatures and low humidity) to portions of the Bay Area, including the City. Parts of the City have experienced several blackout days as a result of PG&E’s wildfire prevention strategy. Future shutoffs are expected to continue and it is uncertain what effects future PG&E shutoffs will have on the local economy.

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

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

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

Risk Management and Insurance

The Project Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect 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. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of 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 Project Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the Certificates when due.

The Project Lease allows the City to self-insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as its risk management retention program. [The City expects to self-insure for all hazards for which the Project Lease permits self-insurance.] *[To be confirmed]* 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 XIII B of the State Constitution limits the amount that local governments can appropriate annually (the “Gann Limit”). Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances” and “– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution.”

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 XIII C and XIII D of the California Constitution.”

The General Fund of the City, which is the source of payment of Base Rental, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City’s Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

Approximately 10% of general fund revenues appropriated in the original budget for fiscal years 2023-24 and 2024-25 is derived 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."

While the State has recently announced budgetary shortfalls, 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."

Taxability Risk

As discussed herein under the caption "TAX MATTERS," interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were executed and delivered as a result of future acts or omissions of the City in violation of its covenants contained in the Trust Agreement or the Project Lease. There is no provision in the Certificates, the Trust Agreement or the Project Lease for special prepayment or acceleration or for the payment of additional interest should such an event of taxability occur, and the Certificates would remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Trust Agreement.

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. The City can provide no assurance that federal tax law will not change while the Certificates are outstanding or that any such changes will not adversely affect the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes. If the exclusion of interest with respect to the Certificates from gross income for federal income tax purposes were amended or eliminated, it is likely that the market price for the Certificates would be adversely impacted.

TAX MATTERS

[To be provided by Co-Special Counsel]

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see “TAX MATTERS” herein) are subject to the separate legal opinions of Norton Rose Fulbright US LLP, San Francisco, California and Amira Jackson, Attorney at Law, Berkeley, California, Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchaser or purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to their date. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California and Stradling Yocca Carlson & Rauth LLP, Newport Beach, California (together, “Co-Disclosure Counsel”).

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

Backstrom McCarley Berry & Co. LLC has served as Municipal Advisor to the City with respect to the sale of the Certificates. The Municipal Advisor has assisted the City in the City’s review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Municipal Advisor has not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Municipal Advisor, Co-Special Counsel and Co-Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest earned on the escrow securities to provide for the payment, when due, of all principal and interest and prepayment price with respect to the Prepaid Certificates to their prepayment date will be verified by [VERIFICATION AGENT] (the “Verification Agent”). The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Certificates. See “PLAN OF PREPAYMENT AND THE LEASED PROPERTY” above.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the “Annual Report”) not later than 270 days after the end of the City’s fiscal year (which currently ends on June 30), commencing with the report for fiscal year [2024-25], which is due not later than [March 27, 2026], and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D: “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the initial purchaser or 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>.

[To be confirmed]

ABSENCE OF LITIGATION RELATING TO THE CERTIFICATES

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Project Lease, the Property Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith. The City will furnish to the initial purchaser or purchasers of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates. For information regarding certain litigation and other related matters concerning the City and its operations, see APPENDIX A: “CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES.”

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.moody's.com; S&P, at www.spglobal.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. See "CONTINUING DISCLOSURE" herein.

SALE OF THE CERTIFICATES

[The Certificates are scheduled to be sold at competitive bid on [], 20[25], as provided in separate Official Notices of Sale, each dated [], 20[25] (each, an "Official Notice of Sale"). Each Official Notice of Sale provides that all 2025-[R1] Certificates or 2025-[R1] Certificates, as appropriate, would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the related Official Notice of Sale, the approval of certain legal matters by Co-Special Counsel and certain other conditions. The initial purchaser or purchasers of the Certificates will represent to the City that the Certificates have been reoffered to the public at the price or yield to be stated on the inside cover pages hereof.]

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchaser or 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 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), continuing weakness in the local hospitality and convention industries (resulting in declines in hotel and sales taxes), and general economic conditions. As described herein, these conditions have resulted in projected budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately \$1.36 billion in fiscal year 2027-28.

FY25 & FY26 Original Budget

The Original Budget for fiscal years 2024-25 and 2025-26 (the “FY25 & FY26 Original Budget”) was approved by the Board of Supervisors on July 30, 2024 and signed by the Mayor on August 1, 2024. See “CITY BUDGET – Budget Process” for additional detail. The FY25 & FY26 Original Budget reflects \$15.9 billion of expenditures in fiscal year 2024-25 and \$15.5 billion in fiscal year 2025-26. The FY25 & FY26 Original Budget addresses the \$789.3 million two-year shortfall projected in the March 2024 Joint Report (described below) primarily through the use of \$135.7 million of fund balance, \$236.6 million in projected revenue increases, and \$68.8 million use of special funds, as well as \$302.0 million of net departmental budget reductions and other operating savings. Such operating savings were offset through increases in increased capital and information technology costs and new labor costs. In connection with the Proposed FY25 and FY26 Budget, the Controller released the FY 2024-25 and FY 2025-26 Revenue Letter. See “Original Budget for Fiscal Years 2024-25 and 2025-26 and Revenue Letter.”

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

Recent Reports

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

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

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

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

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

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

Significant upcoming reports include the expected issuance of budget instructions to departments in late November, which will incorporate an updated five year revenue and expenditure forecast. A full report with narrative on economic conditions and balancing solutions, the Five Year Financial Plan, will be issued by January 2025. The financial pressures described herein result in challenges with respect to revenue and expense forecasting, and there can be no assurances that the budget instructions and/or the updated Five Year Financial Plan, or future reports, will not identify increasing expenses and/or decreasing revenues, potentially resulting in increased deficit projections as compared to prior reports. Particular items that could exacerbate City financial pressures include several measures on the November 2024 ballot. See "BUDGETARY RISKS - Impact of November 2024 Local Ballot Initiatives". In addition, the City has commenced utilizing additional tools in connection with the forecasting of potential property tax losses, which may result in additional annual projected property tax losses in the tens of millions of dollars. See "GENERAL FUND REVENUES - PROPERTY TAXATION - Assessed Valuations, Tax Rates, and Tax Delinquencies."

Recent Labor Agreements

In July 2024, the City entered into 28 MOUs representing miscellaneous bargaining units. The MOUs for all unions cover the period July 1, 2024, through June 30, 2027. The Controller's Office prepared an analysis of the impact of the MOUs which stated that the MOUs affect approximately 27,000 authorized positions with an overall salary and benefits base of approximately \$4.3 billion in fiscal year 2024-25. The Controller's Office analysis found that that the MOUs will result in increased costs to the City of \$130.8 million (or 3.1%) of base wage and benefit cost in fiscal year 2024-25; \$293.3 million (or 6.9%) in Fiscal year 2025-26; and \$471.6 million (or 11.1%) in fiscal year 2026-27. In addition, there is a wage increase of 2.5% on June 30, 2027, that will create additional costs in fiscal year 2027-28. The financial impact of the

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

CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the “State”) and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, voters approved the current charter, which went into effect in most respects on July 1, 1996 (“Charter”).

The city is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the “Board of Supervisors”), and a Mayor elected at large who serves as chief executive officer (the “Mayor”). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades TK-12) (“SFUSD”) and the San Francisco Community College District (post-secondary) (“SFCCD”). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including a port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children’s services and public education, and libraries.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mills Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today’s San Francisco International Airport. In 1969, the City acquired the Port of San Francisco (the “Port”) in trust

from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. SFO, the Port, SFPUC (which includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency (“MTA”) (which operates the San Francisco Municipal Railway or “Muni” and the Department of Parking and Traffic (“DPT”), including twenty one public parking garages), and the City-owned hospitals (Zuckerberg San Francisco General and Laguna Honda), are collectively referred to herein as the “enterprise fund departments,” as they are not integrated into the City’s General Fund operating budget. However, certain enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, annually receive significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission and may remove department heads.

Mayor

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

Board of Supervisors

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

TABLE A-1

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

Other Elected and Appointed City Officers

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

The Assessor-Recorder, a citywide elected position, administers the property tax assessment system of the City. On February 8, 2021, Joaquín Torres, formerly the Director of the Office of Economic and Workforce Development, was sworn in as the new Assessor-Recorder. Mr. Torres ran and was elected by voters in a special election on February 15, 2022 to his current term as Assessor-Recorder.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2019 for a term that extends through January 2025. An election for Treasurer will occur on November 5, 2024. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. On January 10, 2024, Mayor Breed appointed Greg Wagner, formerly the Chief Operating Officer of the City's Department of Public Health, to a ten-year term as Controller of the City. Mr. Wagner's appointment was confirmed by the Board of Supervisors on January 23, 2024, in accordance with the Charter. Mr. Wagner replaced the prior City Controller, Benjamin Rosenfield, who stepped down from the position after serving as City Controller since March 2008.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency which consists of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Carmen Chu was sworn in as the City Administrator on February 2, 2021.

CITY BUDGET

Overview

The City manages the operations of more than 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also comes in the form of intergovernmental transfers from the State and federal governments. Thus, the

City's fiscal position is affected by the health of the local real estate market, the local business and tourist economy, and, by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be prepared before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The FY25 & FY26 Original Budget was passed by the Board of Supervisors on July 30, 2024, and signed by Mayor Breed on August 1, 2024. The Original Budget for fiscal year 2024-25 appropriates annual revenues, fund balance, transfers and reserves of \$15.9 billion, of which the City's General Fund accounts for \$6.9 billion. The Original Budget for fiscal year 2025-26 appropriates revenues, fund balance, transfers and reserves of \$15.6 billion, of which \$7.1 billion represents the General Fund budget. See "CITY BUDGET – Original Budget for Fiscal Years 2024-25 and 2025-26 and Revenue Letter" for further details on the budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2020-21 through 2022-23, and Original Budgets for fiscal years 2023-24 and 2024-25. See "GENERAL FUND REVENUES – PROPERTY TAXATION –Tax Levy and Collection," "GENERAL FUND REVENUES – OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

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

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TABLE A-2

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

(000s)

	2020-21 Final Revised Budget ⁵	2021-22 Final Revised Budget ⁵	2022-23 Final Revised Budget ⁵	2023-24 Original Budget ⁶	2024-25 Original Budget ⁷
Prior-Year Budgetary Fund Balance & Reserves	\$2,816,902	\$2,803,535	\$3,214,031	\$224,248	\$301,875
<u>Budgeted Revenues</u>					
Property Taxes ¹	\$2,161,945	\$2,115,600	\$2,379,530	\$2,510,000	\$2,469,580
Business Taxes	798,057	957,307	902,246	851,100	883,000
Other Local Taxes ²	657,990	777,750	1,050,820	1,098,880	1,109,170
Licenses, Permits and Franchises	22,977	28,027	26,749	30,291	31,802
Fines, Forfeitures and Penalties	2,389	4,039	3,088	3,014	3,921
Interest and Investment Earnings	20,732	34,215	38,660	121,071	146,715
Rents and Concessions	11,166	11,820	12,913	14,571	14,145
Grants and Subventions	1,591,756	1,699,946	1,536,227	1,477,115	1,321,363
Charges for Services	254,990	258,939	243,298	272,865	351,423
Other	59,773	37,694	23,307	17,532	19,444
Total Budgeted Revenues	\$5,581,775	\$5,925,337	\$6,216,838	\$6,396,439	\$6,350,563
Bond Proceeds & Repayment of Loans	-	-	-	-	-
<u>Expenditure Appropriations</u>					
Public Protection	\$1,505,780	\$1,586,264	\$1,681,489	\$1,747,204	\$1,837,737
Public Works, Transportation & Commerce	218,986	244,365	275,941	242,912	232,734
Human Welfare & Neighborhood Development	1,605,573	1,571,761	1,621,981	1,604,163	1,641,289
Community Health	1,158,599	1,119,891	1,118,010	1,125,977	1,144,476
Culture and Recreation	147,334	161,417	180,475	201,453	190,338
General Administration & Finance	332,997	353,518	351,738	345,406	352,660
General City Responsibilities	126,993	159,299	201,959	184,513	194,821
Total Expenditure Appropriations	\$5,096,262	\$5,196,515	\$5,431,593	\$5,451,628	\$5,594,055
Budgetary reserves and designations, net	\$42,454	\$45,567	\$46,496	\$70,840	\$2,160
Transfers In	\$417,009	\$194,114	\$194,984	\$211,296	\$206,499
Transfers Out ³	(1,164,927)	(1,181,704)	(1,315,702)	(1,309,516)	(1,250,314)
Net Transfers In/Out	(\$747,918)	(\$987,590)	(\$1,120,718)	(\$1,098,220)	(\$1,043,815)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	\$2,512,044	\$2,499,200	\$2,832,062	-	-
Variance of Actual vs. Budget	291,491	714,831	131,543	-	-
Total Actual Budgetary Fund Balance⁴	\$2,803,535	\$3,214,031	\$2,963,605	-	-

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

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

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

⁴ Fiscal year 2020-21 through fiscal year 2022-23 Final Revised Budget reflects prior year *actual* budgetary fund balance.

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

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

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

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

Budget Process

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

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

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

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

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

Multi-Year Budgeting and Planning

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

1. Fixed two-year budgets are approved by the Board of Supervisors. For fiscal year 2025-26, all departments except for MTA, SFPUC, SFO, and the Port will have budgets open again for amendments.
2. Five-year financial plan and update, which forecasts General Fund revenues and expenses and summarizes expected public service levels and funding requirements for that period. An update to the December 2023 Five-Year Financial Plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on March 29, 2024, for fiscal year 2024-25 through fiscal year 2027-28. See "CITY BUDGET: Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" section below..
3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and the City is required to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies that have been enacted include:
 - Non-Recurring Revenue Policy – This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for, or expectation of, substantial ongoing costs, including but not limited to discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt, or other long-term obligations.
 - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for a fiscal year exceed total General Fund revenues for the prior fiscal year by more than five percent. Similarly, if budget year revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues. No withdrawals from these reserves were made in fiscal year 2023-24, and none are projected to be made during the forecast period given positive, though slow, revenue growth. These and other reserves are discussed under "Rainy Day Reserve" and "Budget Stabilization Reserve" below.

4. The City is required to submit labor agreements to the Board of Supervisors by May 15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget. In 2023, the City negotiated agreements with its public safety employee organizations for fiscal years 2023-24 and 2024-25. In July 2024, the City entered into 28 MOUs representing miscellaneous bargaining units. The Controller's Office analysis found that the MOUs will result in increased costs to the City of \$130.8 million (or 3.1%) of base wage and benefit cost in fiscal year 2024-25; \$293.3 million (or 6.9%) in fiscal year 2025-26; and \$471.6 million (or 11.1%) in fiscal year 2026-27. In addition, there is a wage increase of 2.5% on June 30, 2027, that will create additional costs in fiscal year 2027-28. Approximately 65% of the increased cost under the MOUs is supported by the General Fund.

Role of Controller in Budgetary Analysis and Projections

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

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

General Fund Results: Audited Financial Statements

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

Fiscal year 2022-23 General Fund balance decreased from fiscal year 2021-22. As of June 30, 2023, the net available budgetary basis General Fund balance was \$852.1 million (see Table A-3), which is \$164.0 million less than the \$1.0 billion available as of June 30, 2022. This decrease resulted from General Fund

expenditures exceeding revenues, as planned for in the fiscal year 2022-23 budget, which assumed the use of \$306.7 million of budgetary basis fund balance.

On a Generally Accepted Accounting Principles (“GAAP”) basis, the General Fund balance as of June 30, 2023 was \$2.6 billion (shown in Tables A-3 and A-4). The City prepares its budget on a modified accrual basis, which is also referred to as “budget basis” in the ACFR. Accruals for incurred liabilities, such as claims and judgments, workers’ compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-4 focuses on the City’s fund balances; General Fund balances are shown on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2019 through June 30, 2023.

Table A-3, entitled “Statement of Revenues, Expenditures and Changes in General Fund Balances,” is extracted from information in the City’s published ACFRs. Audited financial statements can be obtained from the City Controller’s website <https://sf.gov/annual-comprehensive-financial-reports-acfr>. Information from the City Controller’s website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-3 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes), and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements. See “CITY BUDGET – Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor’s Budget Instructions” for a summary of the most recent projections.

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TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenditures and Changes in General Fund Fund Balances¹
Fiscal Years 2018-19 through 2022-23
(000s)

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

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

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

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

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

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-4 shows the City's various reserve balances as designations of fund balance. Key reserves are described further below.

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-4 below. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

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

The fiscal year 2022-23 ending balance of the Rainy Day Economic Stabilization City Reserve was \$114.5 million, as shown in Table A-4. Under Proposition C, the City is not eligible to withdraw from the Rainy Day Reserve in fiscal years 2023-24, 2024-25 or 2025-26, preserving the balance of \$114.5 million in those years.

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

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-4 below. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The combined value of the Budget Stabilization Reserve and the Budget Stabilization One-Time Reserve was \$330.0 million at the end of fiscal year 2022-23, with an ending balance of \$275.2 million in the Budget Stabilization Reserve and \$54.8 million in the Budget Stabilization One-Time Reserve. As with the Rainy Day Reserve under Proposition C, the City is not permitted to withdraw from the Budget Stabilization Reserve in fiscal years 2023-24, 2024-25 or 2025-26, maintaining the fiscal year 2022-23 balance of \$275.2 million.

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

Salaries, Benefits and Litigation Reserves

The City maintains two reserves to offset potential expenses, which are available to City departments through a Controller's Office review and approval process. These are shown in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-4 below. These include the Salaries and Benefit Reserve (balance of \$27.9 million as of fiscal year 2022-23) and the Litigation Reserve. The Litigation Reserve and Public Health Management Reserve (balance of \$259.2 million in fiscal year 2022-23) are combined for reporting purposes. The purpose of the latter is to manage patient revenue volatility in the Department of Public Health.

General Reserve

The City maintains a General Reserve, shown as part of "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-4 below. The fiscal year 2022-23 balance of \$64.7 million includes \$57.8 million of General Reserve, as well as two smaller, unrelated reserves. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. A City policy, originally adopted on April 13, 2010, set the General Reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues in years when the City appropriates a withdrawal from the Rainy Day reserve. The intent of this policy change was to increase reserves available during a multi-year downturn. In fiscal years 2020-21 and 2021-22, the City withdrew from the Rainy Day Reserve and reset its General Fund Reserve deposit requirement to 1.5% of General Fund revenues in those years. The fiscal year 2022-23 ending balance of the General Reserve is \$57.8 million. The Original Budget for fiscal year 2023-24 included a deposit of \$70.8 million and the Original Budget for fiscal year 2024-25 includes a deposit of \$14.6 million, see "CITY BUDGET – Five-Year Financial Plan Update: FY 2024-25 through FY 2027-28 and Mayor's Budget Instructions" and "Other Budget Updates: Fiscal Year 2023-24 Nine-Month Budget Status Report" for a summary of the most recent projections.

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

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

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

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

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

Operating Cash Reserve

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

TABLE A-4

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

	2018-19	2019-20	2020-21	2021-22	2022-23
Restricted for rainy day (Economic Stabilization account) ¹	\$229,069	\$229,069	\$114,539	\$114,539	\$114,539
Restricted for rainy day (One-time Spending account) ¹	95,908	-	-	-	-
Committed for budget stabilization (citywide) ²	396,760	362,607	320,637	320,637	330,010
Committed for Recreation & Parks savings reserve	803	803	-	-	-
<u>Assigned, not available for appropriation</u>					
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
<u>Assigned and unassigned, available for appropriation</u>					
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
<u>Budget Basis to GAAP Basis Reconciliation</u>					
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 represents a fund collected and restricted for self-insurance purpose.

⁵ Additional information in "General Reserve" section of Appendix A.

⁶ Additional information in the "COVID Response and Economic Loss Reserve, Federal and State Emergency Grant Disallowance Reserve, and Fiscal Cliff Reserve" section of Appendix A.

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

Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and FY 2023-24 Mayor's Budget Instructions

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

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

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

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

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TABLE A-5(a)

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

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

Key assumptions in the March 2024 Joint Report:

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

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

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

- Fiscal year 2023-24 mid-year General Fund savings: In October 2023, the Mayor issued instructions to City departments to propose budget reductions in the current fiscal year in anticipation of a significant structural deficit. The Mayor's Office reviewed proposals to pause uninitiated programs, eliminate vacant positions, take advantage of new revenues, and begin scaling back certain programs. As a result, \$48 million of expenditures were placed on reserve in fiscal year 2023-24 and \$26 million in new revenues were reported in the FY23-24 Six-Month Report. Based on these changes, this forecast assumes an increase in current year ending balance of approximately \$75 million, and ongoing savings of approximately \$38 million in each year beginning in fiscal year 2024-25.
- Assumes previously negotiated wage increases and inflationary increases for open contracts in line with Consumer Price Index ("CPI"). This projection assumes approved wage increases in collective bargaining agreements for miscellaneous employees through the end of fiscal year 2023-24, and as negotiated for public safety employees through fiscal year 2025-26. Miscellaneous contracts are open beginning in fiscal year 2024-25 and public safety contracts are open beginning in fiscal year 2026-27. All open contracts assume the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report to equal 2.5% for fiscal year 2024-25, 2.5% for fiscal year 2025-26, 2.6% for fiscal year 2026-27, and 2.3% for fiscal year 2027-28, applied to the first pay period in January 2025 of fiscal year 2024-25 and the first pay period of each fiscal year thereafter in the projection period. Importantly, these assumptions do not indicate a willingness or ability to negotiate wage increases at these levels and are used solely for projection purposes.
- This report assumes the actuarially assumed rate of return on pension system investments of 7.2% per year, as affirmed by the Retirement Board in November 2023. Employer contributions to both SFERS and CalPERS are estimated using projected rates provided by these entities.
- Health insurance cost increases: This projection assumes that the employer share of health insurance costs for active employees will increase by 9.3% in fiscal year 2024-25, then 7% in each following year, for an average of 7.6% annually over the projection period. Dental insurance costs are projected to decrease by 2.3% in fiscal year 2024-25, then increase by 3.3% for each remaining year, an average of 1.9% annually for the projection period. Retiree health costs are assumed to grow by 9.0% in fiscal year 2024-25, 7.6% in fiscal year 2025-26, 7.3% in fiscal year 2026-27, and 7.1% in fiscal year 2027-28, an average of 7.7% annually over the projection period.
- Inflationary increase on non-personnel operating costs: This projection assumes that the cost of materials and supplies, professional services, and other non-personnel operating costs will increase by the rate of CPI starting in fiscal year 2024-25 and each fiscal year thereafter at the average of the inflation projections of the California Department of Finance SF Metropolitan Statistical Area CPI and Moody's SF Metropolitan Area CPI, updated in the March 2024 Joint Report forecast to 2.5% for fiscal year 2024-25, 2.5% for fiscal year 2025-26, 2.6% for fiscal year 2026-27, and 2.3% for fiscal year 2027-28. The projection reflects the adopted fiscal year 2023-24 and fiscal year 2024-25 budget, which included a 3.75% cost-of-doing business increase for General Fund nonprofit contracts.

- Ten-Year Capital Plan, Five-Year Information and Communications Technology (ICT) Plan, and inflationary increases on equipment: The projection assumes the adopted fiscal year 2023-24 funding level for capital, equipment, and information technology (IT). For capital, this report assumes the budgeted Capital Plan level of funding in fiscal year 2024-25. In the remaining years the report assumes funding will catch up to the City's fiscal year 2024-33 Ten-Year Capital Plan, which was released in 2023. The IT investment projection assumes full funding of the City's Information and Communications Technology (ICT) Plan in fiscal year 2024-25 through fiscal year 2027-28. For equipment, this plan assumes the budgeted level of funding in fiscal year 2024-25, and growth of CPI in the subsequent three fiscal years.
- Deposits and withdrawals from reserves: The forecast assumes no reserve withdrawals beyond those previously budgeted. The projection assumes deposits to the General Reserve in each fiscal year, consistent with the financial policies adopted by the Board of Supervisors and codified in Administrative Code Section 10.60(b). As the City's economy recovers, the General Reserve value will increase from 2.0% of General Fund revenues in the current year to 3.0% by fiscal year 2027-28. Additionally, the projection assumes deposits of \$32.8 million and \$99.9 million to the Budget Stabilization Reserve in fiscal year 2026-27 and fiscal year 2027-28 as the City's real property transfer tax is expected to exceed the average five-year transfer tax level in those years, triggering required deposits.

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

- Recent downward revision to local employment numbers: On March 22, 2024, the Employment Development Department (EDD) released a significant revision to its employment data, showing San Francisco and San Mateo counties lost 34,100 jobs between July 2022 and February 2024, with the largest downward revisions in the information and professional, scientific, and technical services industries, which are the primary office-using sectors in San Francisco. The revised figures reflect technology-sector layoffs since 2022, reversing the City's previous understanding that these job losses were absorbed by overall growth in the technology industry. This additional information increases downside risk to the forecast.
- Elevated interest rates are dampening investment and growth at the state and local levels: Successive Federal Reserve interest rate increases appear to have slowed inflation, and professional "Blue Chip" forecasters believe a "soft landing" will likely be achieved nationally. However, high interest rates have an outsized effect on San Francisco's economy, which is highly concentrated in technology firms. Even if rate cuts continue in 2025, as the Fed has suggested, they will remain high compared to the historically low rates enjoyed in the years before and during the pandemic. Hiring and growth at technology firms is tied to venture capital investment, which has fallen locally to \$21 billion for the first three quarters of 2023, compared to \$46 billion in 2022 and \$81 billion in 2021, as high interest rates make venture capital investment less attractive. Declining venture capital investment in the technology sector and related reductions in tech firm expenditures would most directly affect business taxes, but would also affect sales, hotel, and property-related taxes.

Additionally, high interest rates, along with the "stickiness" of hybrid work, suppress sales and values of both commercial and residential real estate. The handful of recent office sales in the \$150-\$300 per square foot range represent an average price drop of over 60% from their prior

prices and current assessed values, and while average California home prices are rising, those in San Francisco remain flat. The forecast assumes that the City's property and transfer taxes will be significantly impacted as the market adjusts to a new equilibrium over the coming decade.

- **Recession risk:** While the budget deficit is very large, the underlying revenue forecast does not assume a recession. Overall growth rates of General Fund taxes are projected each year, at 0.4% in fiscal year 2023-24, 0.9% in fiscal year 2024-25, and an average of 2.8% annually in fiscal year 2025-26 through fiscal year 2027-28. Should interest rates or other factors cause employment or wage levels to falter, or there is some other external economic shock, General Fund tax revenue would likely be significantly impacted. A recession scenario is detailed in "BUDGETARY RISKS—Threat of Recession" below. Over the plan period, a recession could worsen the deficit by nearly \$1 billion, even accounting for the use of the City's economic stabilization reserves, reductions to General Reserve deposits, and baseline transfers.
- **State budget impacts:** This report did not assume significant changes in state or federal funding levels. However, on December 7, 2023, the State Legislative Analyst's Office (the "LAO") released their fiscal year 2024-25 fiscal outlook, which projected a \$68.0 billion deficit, primarily driven by weaker than anticipated 2023 income tax revenue. The shortfall would require the state to reduce expenditures, potentially in ways that reduce local government revenues such as excess Educational Revenue Augmentation Fund ("ERAF") revenue, grants, and other programs. Flat or falling state sales tax would reduce subventions of state sales tax for public safety, health, and human services.

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

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

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

- Retirement contribution rate: Projections assume the SFERS adopted 7.2% rate of return in fiscal year 2023-24; however, year-to-date returns through February 29, 2024, were 5.7%. Additionally, returns reported in the final audited valuation at the end of the fiscal year can vary from the year-to-date return value due to market volatility and the additional time required to get private market valuations. Final results below the 7.2% assumption will result in higher retirement contribution costs during the forecast period. See “EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS – San Francisco Employees’ Retirement System” for additional detail
- Business tax litigation: the March Joint Report identified business tax litigation as a factor that could materially impact the City’s financial condition. See “BUDGETARY RISKS – Business Tax Litigation.”
- Pending policy decisions with fiscal impact: Legislative or voter-approved increases to existing baselines, set-asides, or other new spending increases without commensurate revenue increases from new funding sources will impact the projections included in this report. For example, in early March, the Mayor introduced legislation to amend the Development Agreement between the City and County of San Francisco and Treasure Island Community Development, LLC (“TICD”), the entity developing Treasure Island, as well as the Disposition and Development Agreement between the Treasure Island Development Authority and TICD. The amendments—which were subsequently approved by the Board in May 2024—altered the financing plan to help fund the development of infrastructure on the island and result in 20-25 years of lease payments from the City’s General Fund starting in fiscal year 2025-26 or fiscal year 2026-27, pending final financing details. This would result in increased costs to the General Fund of approximately \$11 million to \$14 million annually.

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

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

TABLE A-5(b)

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

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

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

- A \$103.7 million projected citywide revenue shortfall compared to budget is due to weakness across numerous sources, though the shortfall is \$9.0 million less than prior projections. Property tax projections have been updated to reduce appeals reserves by \$19.5 million, given a decline in open appeals, partially offset by \$12.5 million in refunds of taxes related to said appeals, as well as the recognition of \$37.2 million in excess ERAF revenue available with final state reconciliation of FY 2021- 22 ERAF uses. This improvement in property tax and a true-up of prior year interest allocations are sufficient to offset an additional \$30.9 million weakness in property transfer tax revenue from our last report, reflecting historically low cash receipts, and continued weakness in sales and hotel taxes.
- Departments are projected to end the year with a \$198.0 million net operating surplus, a \$19.5 million increase from prior projections. This includes \$78.4 million of expenditure savings and additional revenues identified by departments in response to the Mayor's September request for mid-year cuts and other savings, which together totaled \$96.4 million. The need to fund \$23.1 million in general liability litigation reserves is offset by widespread improvement in operating department performance. A \$52.5 million shortfall in patient revenue at Laguna Honda Hospital is driven by significantly reduced census due to the pause on new admissions pending recertification; in addition, the State is expected to finalize a new methodology for nursing facility payments retroactive to January 2023 in fall 2024, shifting revenue from the current to the budget year. This shortfall is offset by revenue surpluses elsewhere, particularly in CalAIM behavioral health payments and patient revenue at Zuckerberg San Francisco General Hospital due to higher than expected patient volume and census, and several one-time state payments for safety net programs.

- The Police and Sheriff's departments are expected to require additional supplemental appropriations to reallocate existing expenditure appropriation to overtime, as required by Administrative Code Section 3.17.
- Estimates of FEMA reimbursement revenue for COVID response costs have been reduced by \$6.8 million in the current year to reflect actual and expected obligations for testing, vaccination, and other health programs. In October 2023, the FEMA Region 9 Administrator provided updated guidance on eligible costs for non-congregate shelter (NCS) services incurred during the pandemic, which San Francisco provided through the Shelter in Place (SIP) hotel program through May 11, 2023. The City, peer jurisdictions, and California Office of Emergency Services (CalOES) are in continued communication with FEMA representatives regarding this issue, which will affect future year forecasts.

Original Budget for Fiscal Years 2024-25 and 2025-26 and Revenue Letter

The FY25 & FY26 Original Budget was approved by the Board of Supervisors on July 30, 2024, and signed by the Mayor on August 1, 2024. See "CITY BUDGET – Budget Process" for additional detail. The FY25 & FY26 Original Budget reflects \$15.9 billion expenditures in fiscal year 2024-25 and \$15.5 billion in fiscal year 2025-26. The \$789.3 million two-year shortfall projected in the March 2024 Joint Report was addressed primarily through the use of \$135.7 million of fund balance, \$236.6 million in projected revenue increases, and \$68.8 million use of special funds, as well as \$302.0 million of net departmental budget reductions and other operating savings. (Such operating savings were offset through increases in increased capital and information technology costs and new labor costs.)

The Charter requires that the Controller comment on revenue estimates assumed in the Mayor's fiscal year 2024-25 and fiscal year 2025-26 proposed budget. These comments were issued in the Revenue Letter on June 10, 2024. The revenue estimates assumed in the proposed budget were not materially different from the budget finally passed and approved later in the summer.

As described herein, subsequent reports have been issued, which have also identified financial pressures.

While the Controller found the revenue assumptions in the Mayor's proposed budget to be reasonable, the Controller noted that the City faces several key financial risks in coming fiscal years. These risks include: the projected structural budget gap following depletion of one-time funds; economic risk; funding uncertainty at Laguna Honda Hospital; State budget revenue risk; disallowance of claims for federal revenues assumed in the City's emergency response budgets; and potential cost increases resulting from November 2024 ballot measures.

Key findings in the June 2024 Revenue Letter included:

- **Tax revenue projections generally assume a continuing but slow economic recovery from the pandemic, with a significant drag created by the continuing effect of remote office work on economic activity in the City.** Most economically sensitive taxes, such as sales and hotel taxes, are projected to grow slowly during the coming two years, but in most cases remain below pre-pandemic levels. Remote work and high interest rates are projected to continue to have significant impacts on the City's property, business, and property transfer taxes. Tax increases adopted by the voters in recent years are projected to contribute to modest overall General Fund

tax revenue growth of 2.2% in fiscal year 2024-25 compared to the fiscal year 2023-24 Nine Month Report and 3.5% in fiscal year 2025-26 compared to fiscal year 2024-25 projection.

- **The proposed budget assumes \$1 billion of General Fund-related one-time solutions over the two budget years.** These include drawdown of \$445.5 million in prior year fund balance, including \$106.1 million in prior year General Fund appropriations the Mayor’s budget proposes to close. While deficit forecasts in the most recent update to the Five-Year Financial Plan assumed available fund balance to be used evenly across the first three years of the forecast, the proposed budget accelerates the use of fund balance, spending \$45.2 million previously held to address the FY 2026-27 shortfall. It also assumes \$235.7 million of FEMA reimbursement for previously incurred emergency response costs; \$138.3 million of reserve drawdowns; and at least \$82.5 million of other one-time revenue in General Fund-supported funds. Additionally, the budget proposes at least \$137.6 million of short-term cost shifts in other funds, with a significant portion designed to achieve General Fund savings.
- **The budget draws on available reserves but maintains the City’s economic stabilization reserves.** The proposed budget uses \$138.3 million of reserves funded in prior years and maintains the current balance of \$389.7 million in the combined Rainy Day and Budget Stabilization reserves (also known as combined “Economic Stabilization Reserves”), as the City is not expected to be eligible to withdraw from or deposit to these reserves. Required General Reserve funding levels are maintained in the proposed budget. Excluding economic stabilization reserves, by the end of the two-year budget period, the City is expected to have \$304.6 million (or 38%) of its roughly \$800 million of pre-pandemic reserves available for on-going operations.
- **The proposed budget makes minimal progress towards closing projected structural budget gaps in years beyond the coming two-year budget period.** As one-time solutions are depleted, the structural budget gap will become larger, making future budgets more difficult to close. The March 2024 Joint Report forecasted a structural budget gap of \$927 million in fiscal year 2026-27, growing in subsequent years, absent ongoing corrective action by policy makers. Based on the mix of ongoing and one-time solutions proposed in the Mayor’s budget, as well as known labor contract costs above the previously assumed levels in fiscal year 2026-27, the shortfall likely remains more than \$800 million in fiscal year 2026-27, growing in subsequent years.
- **The final adopted budget will require active monitoring and management by the Mayor and Board of Supervisors given a number of economic and financial risks. These risks include the possibility of a slowing economic recovery or a recession, risks associated with both State and Federal revenue streams, and financial impacts of potential November 2024 ballot measures**

BUDGETARY RISKS

In addition to the budgetary risks described below, see “CITY BUDGET – Original Budget for Fiscal Years 2024-25 and 2025-26 and Revenue Letter”.

Threat of Recession

An economic recession could adversely impact the City’s economy and the financial condition of the General Fund. During the “Great Recession” that occurred nationally from December 2007 to June 2009

(according to the U.S. National Bureau of Economic Research), California real GDP growth slowed for five consecutive quarters from the third quarter of 2008 to the third quarter of 2009 and did not return to pre-recession level of output until three years later in the third quarter of 2012. The unemployment rate rose steadily from 4.9% in the fourth quarter of 2006 to peak at 12.3% in the fourth quarter of 2010 and did not return to the pre-recession level until the second quarter of 2017.

Impact of Commuting Pattern Changes on Business Taxes

The persistence of remote work results in continued pressure on the City's General Fund revenues. Approximately half of workers in major tax-paying sectors such as professional services, financial services, and information live outside of San Francisco. Continued high levels of telecommuting and work from anywhere policies may affect how much of any business's gross receipts are apportionable to the City. Muni metro and downtown BART ridership have not returned to pre-pandemic levels, and both have recently dropped off from summer highs. Indicators of auto use – bridge crossings and freeway speed – both indicate less traffic. As of August 2024, bridge crossings into and out of the City have reached to about 94% of pre-pandemic levels. Comparatively, the bridge crossings were at their post-pandemic peak in August 2023 at approximately 95% of pre-pandemic levels.

Businesses owe gross receipts tax only on their employees physically working within the City. For certain categories of businesses, the gross receipts tax is also dependent on their San Francisco payroll. Thus, the sharp rise in telecommuting has resulted in reduced business taxes and, if the change becomes permanent, could negatively impact the City for the foreseeable future. Although some City residents who previously commuted out of the City are now telecommuting from within the City, many of these residents work for employers who do not have a nexus in the City, and thus are not subject to business taxes.

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

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

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

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

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

of minimizing volatility by broadening the tax base.

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

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

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

The City has experienced the largest increase in office vacancy among major urban office markets in the United States, from 5.6% in the 4th quarter of 2019 to 33.7% in the 2nd quarter of 2024. Because of the prevalence of long-term leases in the commercial real estate industry, sudden reductions in demand often result in increases in sublease vacancy, instead of direct vacancy. Sublease vacancy occurs when existing tenants vacate their space and seek to find sub-lessees, but continue to pay rent under the original lease. A direct vacancy occurs when the original lease has been broken, or has expired and not been renewed. In this case, the property’s income declines until a new lease is signed. In the City, sublease vacancies were a very high percentage (80-90%) of office vacancies during 2020 and 2021. In 2022, the sublease vacancy rate declined, while the direct vacancy rate continued to rise, and by mid-2022, direct vacancies accounted for most of the vacant office space in San Francisco, according to Jones Lang LaSalle IP, Inc. If vacancy rates remain at this elevated level, and a large share of these are direct vacancies, then the income, and market value, of office buildings in the City are likely to continue to be negatively affected. The market value of commercial real estate reflects the current and future income that the market expects the property to generate. If expectations of future income streams are reduced, then the market value of office properties will be reduced.

A reduction in demand from tenants is not the only thing that could reduce the market value of San Francisco office buildings in the near future. Using an income valuation approach, the market value of properties is commonly estimated as the property’s net operating income, divided by its capitalization rate (its effective rate of return). Capitalization rates are generally calculated from the sales of comparable properties, and vary across markets, and over time, according to changes in investors’ perception of risk, and the risk-free rate of return. When investors perceive greater risk, they require a higher rate of return, and the spread between that asset’s capitalization rate and the risk-free rate widens. When the capitalization rate rises, for whatever reason, the market value of a property will decline, all other things being equal.

The market value of a property is important for property tax revenue because a property’s assessed value – the basis of its property tax liability – may not exceed its market value. If a property owner believes a property is assessed above its market value, they can request a reduction in assessment from the Assessor, and/or appeal a decision to the Assessment Appeals Board. The gap between current market and assessed values is narrowed somewhat by the effect of Proposition 13, which caps growth in assessed

value at 2% per year unless a sale or new construction prompts a reassessment. Given that market values have typically increased at much higher rates over the years, properties that have not been recently sold have been assessed below market value. In other words, Proposition 13 effectively cushions the City's property tax base from downturns in property markets, at the cost of reduced growth in property tax revenue during periods of strong economic growth.

Given assessment appeal hearing timelines, there is a significant lag between the filing of appeals and completion of hearings at the Assessment Appeals Board ("AAB"). In the interim, published reports reflect the estimated loss of assessed value due to both currently filed and expected future office appeals through the end of the forecast period, reaching \$17.5 billion by fiscal year 2027-28. As of June 30, 2024, the City is holding \$217.3 million in AAB reserves for the General Fund's portion of refunds on approximately \$37.5 billion in prior years' assessed value reductions, plus interest. Reserve balances are projected to grow given the capacity for hearings and requests for delays from commercial property owners' agents. Total prior assessment year reductions assumed for this projection are approximately \$11.5 billion, \$21.4 billion, \$24.4 billion, \$25.1 billion, and \$26.5 billion in assessed values for fiscal year 2023-24 through fiscal year 2027-28, respectively. As of the March 2024 Joint Report, General Fund property tax revenue required to pay refunds that result from AAB decisions is estimated at \$63.7 million, \$118.9 million, \$136.1 million, \$139.4 million, and \$147.1 million, for fiscal years 2023-24 through 2027-28, respectively, directly reducing property tax revenue in the year of deposit.

The City cannot predict the actual level of revenue losses, however the City will continue to account for these trends in its periodic reports. See "CITY BUDGET — Other Budget Updates: Fiscal Year 2023-24 Six-Month Budget Status Report" and "CITY BUDGET – Original Budget For Fiscal Years 2024-25 and 2025-26 and Revenue Letter" for additional information.

Business Tax Litigation

As of June 30, 2024, the City has reserved \$572 million of tax collections for litigation risk associated with its various business taxes, including approximately \$292 million for gross receipts tax and \$238 million for homelessness gross receipts tax. The majority of the litigation and claims relate to the validity, methodology and/or calculation of the various business taxes. The amount of claims and litigation continues to increase. Although more than 10,000 businesses pay the gross receipts tax that accrues to the General Fund, the top ten payers accounted for 27% of the revenue in tax year 2022. The top ten payers accounted for 31% of all business taxes – including gross receipts, homelessness gross receipts, commercial rents, and overpaid executive taxes – in tax year 2022. The legal issues raised vary by claimant and are generally in the early stages of the claims and litigation process. The City is vigorously defending itself in these matters. However, there can be no assurances that the final determination of particular claims or litigation matters would not be applicable to other similarly situated taxpayers in the City and thus have broader applicability, and correspondingly increase the City's financial exposure. The City can make no assurances that the actual final impact to the City of the current and potential future claims and litigation related to the City's various business taxes will not significantly exceed amounts currently reserved.

Potential City Acquisition of PG&E Distribution Assets

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection to shield itself from potential wildfire liability that was estimated upwards of \$30 billion. Taxes and fees paid by PG&E to the City total

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

During the pendency of the PG&E bankruptcy, on September 6, 2019 the City submitted a non-binding indication of interest to PG&E and PG&E Corporation to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City (the "Target Assets") for a purchase price of \$2.5 billion (such transaction, the "Proposed Transaction"). In a letter dated October 7, 2019, PG&E declined the City's offer. On November 4, 2019, the City sent PG&E a follow-up letter reiterating its interest in acquiring the Target Assets. To demonstrate public support for the Proposed Transaction, on January 14, 2020, the City's Board of Supervisors and SFPUC's Commission conditionally authorized the sale of up to \$3.065 billion of Power Enterprise Revenue Bonds to finance the acquisition of the Target Assets and related costs, subject to specific conditions set forth in each authorizing resolution.

On July 27, 2021, the City submitted a petition with the California Public Utilities Commission (the "CPUC") seeking formal determination of the value of PG&E's local electric infrastructure. The matter is pending before the CPUC and the City can give no assurance about whether or when the CPUC will hold a hearing on the matter.

The City is unable to predict whether it will be able to consummate a final negotiated acquisition price for the Target Assets and, if so, the terms thereof. Any such final terms would be subject to approval by the Board of Supervisors and SFPUC. If consummated, it is expected that such new electric system would be wholly supported by its own revenues, and no revenues of the City's General Fund would be available to pay for system operations, or City General Fund secured bonds issued to acquire the Target Assets. The City is committed to acquiring PG&E's assets and expects to continue its pursuit with the newly reorganized entity.

Impact of November 2024 Local Ballot Initiatives

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

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

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

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

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2024-25 and 2025-26, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

The State budget for fiscal year 2024-25, enacted in June 2024, addressed an estimated multi-year shortfall of \$46.8 billion. The budget assumes continued but slowing economic growth that stops short of assuming a recession.

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

Impact of Federal Government on Local Finances

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

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

The federal government provided significant funding to local governments to respond to the public health emergency and mitigate the fiscal effect of the COVID-19 pandemic. The City spent the entirety of its

General Fund allocations of Coronavirus Aid, Relief, and Economic Security Act and American Rescue Plan Act State and Local Fiscal Recovery Fund monies as of fiscal year 2021-22 and is awaiting reimbursement of emergency response costs submitted to the FEMA. In fiscal year 2023-24, the City originally budgeted \$170.0 million of FEMA reimbursements. By May 2024, that estimate was revised down to \$116.8 million in that fiscal year, and only \$73.3 million was recorded by year end. In addition to the timing of reimbursements, the City is in communication with both state and federal officials to understand the fiscal effect of recent changes in FEMA cost eligibility guidelines for non-congregate shelter programs, as described above.

Laguna Honda Hospital Medicaid and Medicare Recertification

The Laguna Honda Hospital and Rehabilitation Center (“Laguna Honda”) is a skilled nursing facility owned and operated by the City through its Department of Public Health, serving up to 660 patients, most of whom are low income or extremely low-income residents. Beginning in March 2022, the City had a series of disputes with the Centers for Medicare and Medicaid Services (“CMS”), an agency within the federal Department of Health & Human Services, over conditions at Laguna Honda which potentially put federal funding at risk.

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

The CDPH and the state’s Department of Health Care Services approved Laguna Honda’s recertification for Medicaid in August 2023 and CMS approved Laguna Honda’s recertification for Medicare in June 2024, which means Laguna Honda is now fully recertified and will continue to receive Medicare and Medicaid payments. Laguna Honda will continue to be reviewed for compliance with conditions of participation in Medicare and Medicaid programs as is normal for facilities regulated by CMS and CDPH.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

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

As a result of ABx1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the “Dissolution Act”), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy “enforceable obligations” of the former

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

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the “Successor Agency to the Redevelopment Agency of the City and County of San Francisco,” (the “Successor Agency”) also referred to as the “Office of Community Investment & Infrastructure” (“OCII”), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that ABx1 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency. The Successor Agency exercises land use, development and design approval authority for the developed projects. The Successor Agency, in addition to other various City agencies and entities, also may issue community facilities district bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations. See also, Table A-33: “Statement of Direct and Overlapping Debt and Long-Term Obligations.”

CITY INFRASTRUCTURE FINANCING DISTRICTS

San Francisco has formed numerous special financing districts in order to finance infrastructure improvements benefiting the public in newly developing areas of the City. Projects that may be financed by revenues from special finance districts include, but are not limited to streets, water and sewer systems, libraries, parks, and public safety facilities. Pursuant to California Government Code Section 53395 *et seq.* (“IFD Law”), the Board of Supervisors has formed Infrastructure Financing Districts, Infrastructure Revitalization Financing Districts, and Enhanced Infrastructure Financing Districts (collectively “IFDs”) within the geographic boundaries of the City.

Under IFD Law, municipalities may fund improvements within the IFD geographic boundary. IFDs capture increases in property tax revenue stemming from growth in assessed value as a result of new development and use that revenue to finance infrastructure projects and improvements. Each district has its own plan of finance for the allocation and use of tax increment.

GENERAL FUND REVENUES

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

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the taxable assessed value of property in the City. The City levies property taxes for general operating purposes as well as for

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30, the Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value at the beginning of that fiscal year. The Controller also applies the tax rate factors, including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), and tax factors needed to repay voter-approved general obligation bonds on property located in the City. Typically, the Board of Supervisors approves the schedule of tax rates each year by resolution no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See “Taxation of State-Assessed Utility Property” below.

Assessed Valuations, Tax Rates, and Tax Delinquencies

The property tax rate is comprised of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. Table A-6 provides a recent history of assessed valuations of taxable property within the City. Lingering impacts of the COVID-19 pandemic, which triggered business changes such as extended work-from-home policies that resulted in less demand for office spaces, and the substantial increases in borrowing costs (interest rates) resulted in a reduction in property values for certain asset classes in the City and may result in future reductions, which could be material.

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

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to OCII, the successor agency to the San Francisco Redevelopment Agency, and a number of tax increment financing districts. Property tax revenues attributable to the growth in assessed value of taxable property (known as “tax increment”) within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency, reducing tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCOD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. OCII received \$134.0 million of property tax increment in fiscal year 2023-24 for recognized obligations, diverting about \$74.5 million that would have otherwise been apportioned to the City’s General Fund.

The percent collected of property tax (current year levies excluding supplemental) was 98.93% for fiscal year 2023-24.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2024-25
(000s)

Fiscal Year	Net Assessed ¹ Valuation (NAV)	% Change from Prior Year	Total Tax Rate per \$100 ²	Total Tax Levy ³	Total Tax Collected ³	% Collected June 30
2008-09	141,274,628	8.7%	1.163	1,702,533	1,661,717	97.6%
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.5%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	98.0%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.2%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307	8.4%	1.180	3,509,022	3,475,682	99.0%
2020-21	299,686,811	6.6%	1.198	3,823,246	3,785,038	99.0%
2021-22	307,712,666	2.7%	1.182	3,864,100	3,832,546	99.2%
2022-23	331,431,694	7.7%	1.180	4,067,270	4,032,813	99.2%
2023-24	346,366,619	4.5%	1.178	4,261,226	4,215,823	98.9%
2024-25	351,321,331 ⁴	1.4%	1.171	4,113,973	N/A	N/A

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

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

³ The Total Tax Levy and Total Tax Collected through fiscal year 2023-24 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as included in the statistical report received from the Office of the Treasurer and Tax Collector, City and County of San Francisco. Total Tax Levy for fiscal year 2024-25 is based upon initial assessed valuations times the secured property tax rate to provide an estimate.

⁴ Based on initial assessed valuations for fiscal year 2024-25.

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

At the start of fiscal year 2024-25, the total net assessed valuation of taxable property within the City was approximately \$351.3 billion. Of this total, \$334.5 billion (95.2%) represents secured valuations and \$16.8 billion (4.8%) represents unsecured valuations. See "Tax Levy and Collection" below for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year the increase in the assessed value of property, unless it is sold, or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than the current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in

aggregate market values of property.

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

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. During the severe economic downturn of fiscal years 2009-10 and 2010-11, reductions of up to approximately 30% of the assessed valuations appealed were granted. When assessment appeals result in revenue refunds the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In the period following the Great Recession, assessment appeals increased significantly as did associated reductions, and a similar trend is developing post-pandemic. For scale, in the wake of the Great Recession, the reductions in residential property assessed value reached upwards of \$2 billion in 2010-11 when the roll topped \$157 billion.

The FY25 & FY26 Original Budget assumes declines in commercial assessed values in the City resulting from the continuance of work from home patterns and interest rates currently affecting the City's businesses, and that such declines could be material. The City's most recent economic reports have noted continuation of these trends.

Appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2014-15 through 2023-24 are listed in Table A-7 below.

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TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Reduction of Prior Years' Property Tax Revenues
General Fund
Fiscal Years 2014-15 through 2023-24
(000s)

Fiscal Year	Amount Reduced
2014-15	\$16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401
2018-19	30,071
2019-20	17,900
2020-21*	10,729
2021-22	16,479
2022-23	23,070
2023-24	36,822

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

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

A property's annual assessed value is determined as of January 1 preceding the start of the fiscal year for which taxes are billed and paid. Under California's Proposition 13, a property's annual assessed value is the lesser of (1) its base year value (fair market value as of the date of change in ownership or completion of new construction), factored for inflation at no more than two percent per year; or (2) its fair market value as of that January 1. A qualifying taxpayer can seek assessed value adjustment from the AAB, from the Assessor's Office, or both. If a property's fair market value falls below its factored base year value, the reduced value is enrolled on a temporary basis (for one year) and is commonly referred to as a "Proposition 8" reduction, after the 1978 initiative, or simple as a "decline in value" reduction. If a property receives such a temporary reduction, the Assessor is required to annually review the property's temporary reduction for each subsequent January 1 lien date, until such time as the market value again exceeds the property's factored base year value, at which point the Assessor reestablishes the factored base year value as the taxable value to be enrolled for that January 1 lien date.

COVID-19's impact on San Francisco real property values first arose on the 2021 Assessment Roll, resulting in an almost 4-times increase in the total count of Proposition 8 reductions granted compared to the 2020 Assessment Roll (up from 2,059 to 8,212) and more than 8-times increase in the value of the reductions (up from \$272 million to \$2.18 billion). For the January 1, 2024 lien date, the Assessor's Office completed 11,339 "decline-in-value" reviews, which was nearly 40% higher than anticipated. The total count and value of Proposition 8 reductions for the 2024 Assessment Roll were 9,715 and \$4.9 billion, respectively.

The two most significant factors driving changes beginning with the 2021 Assessment Roll were Proposition 8 reductions for hotel and condominium properties. In response to COVID-19, the Assessor's Office performed proactive reviews of commercial properties, which resulted in temporary reductions of \$1.01 billion for 26 hotel properties on the 2021 Assessment Roll. For the 2024 Assessment Roll, the Assessor reviewed and applied Proposition 8 assessed value reductions for 21 hotel properties, totaling \$1.34 billion. Meanwhile, condominiums accounted for the largest share of new reductions since the

onset of the pandemic at over 70% of the total value of temporary reductions excluding hotels on the 2021 and 2022 Assessment Rolls and more than half of the total count for these years. For the 2023 and 2024 Assessment Rolls, condominiums accounted for a declining percentage of total value of temporary reductions at 63% and 54%, respectively, while increasing as a percentage of total count in 2024 to 79%. The percentage of total count associated with single-family dwellings rose from roughly 4% in 2023 to 7.6% in 2024.

In order to more efficiently address a number of regular open appeals on condominium properties with an assessed value below \$5 million, in January 2024, the Assessor's Office applied the same regression model it uses for determining Proposition 8 reductions on condominiums to those with open appeals. Stipulation letters were sent to 942 taxpayers containing a recommended value and instructions about how to withdraw their open appeal if they accepted said value. Taxpayers were given three weeks to withdraw their appeals and accept the recommended value, which 591 taxpayers did according to Assessor records. The result is a temporary downward adjustment of the enrolled value for these properties totaling approximately \$135 million. This initiative was one among a number aimed at timely addressing the steep increase in open appeals and the Assessor expects to continue the initiative this year with a similar acceptance rate from a larger pool of taxpayers with open appeals for condominiums.

As referenced above, taxpayers may also seek assessed value adjustments from the AAB, whether or not they seek and/or receive such an adjustment from the Assessor through its informal review process. Supplemental and Base Year Appeals are to establish a property's base value. Escape and Regular Appeals are filed to contest a property's value as of January 1. The majority of appeals filed are Regular Appeals. For regular, annual secured property tax assessments, the period for property owners to file an appeal is between July 2nd and September 15th. If September 15th falls on a Saturday or Sunday, applications filed or postmarked the next business day are considered timely. The AAB generally is required to resolve appeals applications within two (2) years of filing, unless the applicant signs a waiver to extend the statutory period. Appeals may also be resolved when the Assessor and a property owner stipulate to a corrected value, which the AAB may approve, or reject and require a hearing in which it determines the value. Upon hearing a supplemental or base year appeal to establish a base value, the AAB may decide to increase, decrease, or not change an assessment. In the case of an escape or regular appeal, the AAB may lower the taxable value or maintain the factored base year value but cannot increase the value above the factored base year value. If an escape or regular appeal results in a change in value, the result is a decline-in-value reduction. The new assessed value will be used to determine the property taxes for the year that was appealed. Subsequently, as with any decline-in-value reduction, each year, the Assessor examines the property to see if the market value has risen back to the Proposition 13 base year value, or higher, and if so, reestablishes the Proposition 13 base year value. This does not apply to appeals to establish a property's base value.

Not all filed appeals receive a hearing or result in a property tax assessment reduction. A large majority are withdrawn and many filed appeals result in no reduction. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

As of June 30, 2024, the total number of open appeals before the AAB was 6,073, with 8,036 new applications filed in fiscal year 2023-24. As of June 30, 2024, the difference between the assessed value and the taxpayer's opinion of values for all the open applications was \$81.8 billion. Assuming the City did not contest any taxpayer appeals and the AAB upheld all the taxpayer's requests, a negative potential total property tax impact of about \$965.3 million would result. The General Fund's portion of that

potential \$965.3 million would be approximately \$455.6 million. In practice, the City has contested virtually all taxpayer appeals. As such, actual reductions have historically been much lower than values asserted by appellant property owners and a majority of appeals are eventually withdrawn. Of the 4,838 appeals closed during fiscal year 2023-24 as of June 30, 2024, 3,749, or 77% of appeals, were withdrawn.

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

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the BAAQMD and BART. The total tax levy for all taxing entities to begin fiscal year 2024-25 was \$4.1 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues allocated in fiscal year 2023-24 (including supplemental and escape property taxes), per pre-audit numbers, the City received \$2.5 billion in the General Fund and \$283.9 million in special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD received approximately \$257.5 million and \$48.3 million, respectively, and the local ERAF received \$455.6 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received \$134.0 million. The remaining portion was allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund was allocated about 47.2% of total property tax revenue before adjusting for the tax increment financing districts, VLF backfill shift, and excess ERAF.

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

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

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

possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent ~~taxes~~

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

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

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TABLE A-8

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

Year Ended	Amount Funded
2013-14	\$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567
2018-19	29,126
2019-20	31,968
2020-21	35,298
2021-22	35,951
2022-23	38,041
2023-24	39,723

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2024 are shown in Table A-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

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

Assessee ¹	Location	Parcel Number	Type	Total Assessed Value ²	% Basis of Levy ³
SUTTER BAY HOSPITALS ⁴	1101 VAN NESS AVE	0695 007	Hospital	\$2,786,422,698	0.792%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	Office	\$1,913,672,794	0.544%
GSW ARENA LLC	1 WARRIORS WAY A	8722 026	Entertainment Comp	\$1,533,404,672	0.436%
PARK TOWER OWNER LLC	250 HOWARD ST	3718 040	Office	\$1,163,207,711	0.331%
KRE EXCHANGE OWNER LLC	1800 OWENS ST	8727 008	Office	\$1,158,816,492	0.329%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	Office	\$1,136,782,374	0.323%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	Office	\$1,101,967,156	0.313%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	55 SPEAR ST	3713 007	Office	\$931,075,752	0.265%
SUTTER BAY HOSPITALS DBA CA PACIFIC MED	3555 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	Hospital	\$769,285,502	0.219%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	Office	\$769,162,113	0.219%
				\$13,263,797,264	3.769%

¹ Certain parcels fall within OCII project areas.

² Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year, TAV includes land & improvements, personal property, and fixtures. Values reflect information as January 1, 2024, lien date.

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

⁴ Nonprofit organization that is exempt from property taxes.

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

Taxation of State-Assessed Utility Property

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

OTHER CITY TAX REVENUES

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

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

See Table A-10 below for a summary of revenue source as a percentage of total General Fund revenue based on the Original Budget for fiscal year 2024-25.

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TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
General Fund Revenue Overview
Fiscal Year 2024-25
(000s)

Revenues	FY 2024-25	
	Original Budget	
Property Taxes	\$2,469,580	38.9%
Business Taxes	883,000	13.9%
Other Local Taxes ¹	1,109,170	17.5%
Licenses, Permits and Franchises	31,802	0.5%
Fines, Forfeitures and Penalties	3,921	0.1%
Interest and Investment Income	146,715	2.3%
Rents and Concessions	14,145	0.2%
Intergovernmental	1,321,363	20.8%
Charges for Services	351,423	5.5%
Other	19,444	0.3%
Total Revenues	\$6,350,563	100.0%

¹ Other Local Taxes includes sales, hotel, utility users, parking, transfer, sugar sweetened beverage, stadium admissions, access line, cannabis, and overpaid executive taxes.

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

Business Taxes

Through tax year 2014, businesses in the City were subject to payroll expense and business registration taxes. Proposition E (November 2012) changed business registration tax rates and introduced a gross receipts tax which phased in over a five-year period beginning January 1, 2014, intending to replace the then existing 1.5% tax on business payrolls over the same period. Overall, the ordinance increased the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 to 15,000. In November 2020, voters passed Proposition F, which eliminated the payroll tax and modified gross receipt tax rates. Most gross receipt tax rates increased by 40% for tax year 2021 over the prior year. Much smaller increases were scheduled for 2023 and 2024, should the City's taxable gross receipts in 2021 and 2022 reach at least 90% and 95%, respectively, of 2019 taxable gross receipts. The 2023 tax increase was suspended for one year because the City's 2021 taxable gross receipts did not reach the 90% threshold and the 2024 tax increase is suspended for one year because the City's 2022 taxable gross receipts did not reach the 95% threshold. In some industries that were particularly hurt during the pandemic, such as retail, trade and food services, Proposition F resulted in lowered tax rates through 2022 for gross receipts under \$25 million. Subsequent legislation extended the lowered rate to these businesses for an additional two years. Proposition F also reduced business registration fees for businesses with less than \$1 million in gross receipts and raised the small business exemption for gross receipts taxes to \$2 million.

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

At the request of Mayor London Breed and Board of Supervisors President Aaron Peskin, on February 5, 2024, the Office of the Treasurer & Tax Collector and the Office of the Controller released the Business Tax Reform Memorandum outlining a series of tax reform recommendations to inform a potential ballot

measure for the November 2024 election. The overall purpose of the measure is to design a business tax system that better reflects a post-COVID economy. The measure would reduce the risk of tax loss from remote work and business relocation by placing greater weight on gross receipts in the City over payroll in the City. By shifting the tax burden across a greater number of businesses to reduce the concentration of business taxes on a small number of payers, it would reduce volatility in revenue. The tax structure will be simplified to create greater predictability for both businesses and the City. Specifically, the measure will decrease the Overpaid Executive Tax by 80% and balance the lost revenue with increases to the Gross Receipts tax rate. Tax collections will decrease initially as the economy recovers until 2027 and 2028 when tax rates will increase by 4% and 3%, respectively. There are a number of changes in tax rates for various business categories to promote equity across categories and between different sizes of businesses.

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

Remote work occurring outside the City creates fiscal risk because, for certain categories of businesses, the gross receipts tax is dependent in part on their San Francisco payroll, and the firms only need to calculate their San Francisco payroll expense for employees that physically work within the City's geographic boundaries. Approximately half of the workers in major tax-paying sectors such as Professional Services, Financial Services, and Information live outside of San Francisco. Office attendance has remained about the same between FY 2022-23 and FY 2023-24 suggesting that there will not be significant increases to the San Francisco economy from employees returning from remote work to office work in the foreseeable future. See "BUDGETARY RISKS – Office Vacancy in San Francisco; Impact on Property Taxes and Other Revenues."

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TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds¹
Fiscal Years 2020-21 through 2025-26
(000s)

Fiscal Year ²	Revenue	Change	Change %
2020-21	\$724,140	(\$100,530)	-12.2%
2021-22	863,510	139,370	19.2%
2022-23	853,154	(10,356)	-1.2%
2023-24 Pre-Audit ³	871,823	18,669	2.2%
2024-25 Original Budget ³	883,000	11,177	1.3%
2025-26 Original Budget ⁴	954,000	71,000	8.0%

¹ Figures exclude Homelessness Gross Receipts and Commercial Rent taxes.

² Figures for fiscal year 2020-21 through fiscal year 2022-23 are actuals. Includes gross receipts and payroll taxes allocated to special revenue funds for the Community Challenge Grant program as well as business registration tax.

³ Figures for fiscal year 2023-24 are pre-audit actuals.

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

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. Hotel tax revenue in fiscal year 2023-24 was \$287.6 million (all funds), an increase of \$4.1 million (1.4%) from fiscal year 2022-23. The fiscal year 2024-25 budget is \$323.4 million, an increase of \$35.9 million (12.5%) from the fiscal year 2023-24 pre-audit actuals. The fiscal year 2025-26 budget is \$355 million, an increase of \$31.6 million (9.8%) from the fiscal year 2024-25 projection. Table A-12 includes hotel tax in all funds. Slightly less than 90% of the City's hotel tax is allocated to the General Fund, with 10.7% allocated to arts and cultural organizations and approximately \$5 million for debt service on hotel tax revenue bonds.

Fiscal year 2023-24 hotel tax revenue performed better than fiscal year 2022-23, as leisure visits and convention activity continue to recover. Fiscal year 2023-24 enplanements at SFO increased by 9.0% from the prior year, as international and domestic enplanements improved by 210% and 4.7%, respectively. The return of conferences and conventions has played a key role in the recovery of hotel tax revenues, particularly because conventions drive up hotel tax room rates through compression pricing. In fiscal year 2022-23, there were 33 conferences with over 286,000 attendees. In fiscal year 2023-24, a total of 38 conferences with over 390,000 attendees took place at the Moscone Convention Center.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds¹
Fiscal Years 2020-21 through 2025-26
(000s)

Fiscal Year ²	Tax Rate	Revenue	Change	
2020-21	14.0%	\$42,195	(\$239,420)	-85.0%
2021-22	14.0%	179,134	136,939	324.5%
2022-23	14.0%	283,453	104,320	58.2%
2023-24 Pre-Audit ³	14.0%	287,553	4,100	1.4%
2024-25 Original Budget ⁴	14.0%	323,443	35,890	12.5%
2025-26 Original Budget ⁴	14.0%	355,047	31,604	9.8%

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

² Figures for fiscal year 2020-21 through fiscal year 2022-23 are actuals.

³ Figures for fiscal year 2023-24 are pre-audit actuals.

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

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

Real Property Transfer Tax

Real property transfer tax ("RPTT") is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Transfer tax rates are \$5.00 per \$1,000 of the sale price of the property being transferred for properties valued at \$250,000 or less; \$6.80 per \$1,000 for properties valued more than \$250,000 and less than \$999,999; \$7.50 per \$1,000 for properties valued at \$1.0 million to \$5.0 million; \$22.50 per \$1,000 for properties valued more than \$5.0 million and less than \$10.0 million; \$55.00 per \$1,000 for properties valued at more than \$10.0 million and less than \$25.0 million and \$60.00 per \$1,000 for properties valued at more than \$25.0 million.

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

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

Due to the highly progressive nature of the tax, the volatility of RPTT is attributable mainly to the sales of high-value (largely commercial) properties over \$10 million. The overall number of transactions over \$10

million dropped from 101 transfers in fiscal year 2021-22 to 55 transfers in fiscal year 2022-23 and 56 transfers in fiscal year 2023-24. The number of transactions under \$10 million also declined from 10,086 transfers in FY 2021-22 to 6,714 transfers in FY 2022-23, and further declining to 6,487 transfers in FY 2023-24.

The fiscal year 2024-25 and 2025-26 budget projects increases from fiscal year 2023-24 results, anticipating increases in transfers as buyers and sellers begin to come into agreement about market prices of large real estate transactions. However, the interest rate environment and uncertainty around the value of office-based real estate with the shift to hybrid models of work is expected to continue to dampen the City's transfer tax receipts.

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts - All Funds
Fiscal Years 2020-21 through 2025-26
(000s)

Fiscal Year ¹	Revenue	Change	
2020-21	344,683	10,148	3.0%
2021-22	520,359	175,676	51.0%
2022-23	186,247	(334,112)	-64.2%
2023-24 Pre-Audit ²	177,700	(8,547)	-4.6%
2024-25 Original Budget ³	218,850	41,150	23.2%
2025-26 Original Budget ³	267,550	48,700	22.3%

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

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

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

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

Sales and Use Tax

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

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

TABLE A-14

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

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

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

The local sales tax (the 1% portion) revenue in fiscal year 2023-24 is \$190.5 million, a decrease of \$7.4 million (3.7%) from fiscal year 2022-23. The fiscal year 2024-25 budget is \$193.7 million, an increase of \$3.2 million (1.7%) from the fiscal year 2023-24 pre-audit actuals. The budget for fiscal year 2025-26 is \$198.9 million, an increase of \$5.3 million (2.7%) from the fiscal year 2024-25 projection. The entirety of sales tax revenue is recorded in the General Fund.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy and spending patterns. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point-of-sale purchases.

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TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2020-21 through 2025-26
General Fund
(000s)

Fiscal Year ¹	Tax Rate	City Share	Revenue	Change	
2020-21	8.50%	1.00%	146,863	(33,321)	-18.5%
2021-22	8.625%	1.00%	188,337	41,474	28.2%
2022-23	8.625%	1.00%	197,911	9,574	5.1%
2023-24 Pre-Audit ²	8.625%	1.00%	190,528	(7,383)	-3.7%
2024-25 Original Budget ³	8.625%	1.00%	193,690	3,162	1.7%
2025-26 Original Budget ³	8.625%	1.00%	198,940	5,250	2.7%

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

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

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

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

Other Local Taxes

The City imposes a number of other general purpose taxes:

- **Utility Users Tax (“UUT”)** - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.
- **Access Line Tax (“ALT”)** – As of July 1, 2023, a charge of \$3.96 on every telecommunications line, \$29.79 on every trunk line, and \$536.32 on every high-capacity line in the City. The ALT replaced the Emergency Response Fee (“ERF”) in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.
- **Parking Tax** - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA’s Enterprise Funds to support public transit.
- **Sugar Sweetened Beverage Tax** – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Proposition V) and took effect on January 1, 2018.
- **Stadium Admission Tax** – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any event, with some specific exclusions.
- **Cannabis Tax** – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Proposition D). The tax was originally slated to go into effect on January 1, 2021, but the Board has delayed the imposition of the tax several times. The cannabis tax will now take effect beginning January 1, 2026.

- Franchise Tax – A tax for the use of City streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.
- Overpaid Executives Tax – In November 2020, voters adopted Proposition L, a new tax on businesses in the City, where compensation of the businesses’ highest-paid managerial employee compared to the median compensation paid to the businesses’ employees based in the City exceeds a ratio of 100:1. The measure took effect on January 1, 2022 for tax year 2022, so revenues were first received in fiscal year 2022-23. Revenue from this tax is expected to be highly volatile due to the narrow base of expected payers, large annual fluctuations in the value and form of executive compensation, which typically includes equity, and tax-avoidance risk associated with tax increases. Estimates based on prior years’ activity may not be predictive of future revenues. Fiscal year 2023-24 revenue was \$124.4 million and the projection for both 2024-25 and 2025-26 is \$140.0 million per year.

Table A-16 reflects the City’s actual tax receipts for fiscal years 2020-21 through 2023-24 and budgets for fiscal years 2024-25 and 2025-26, respectively.

As with the larger tax revenues described above, the City anticipates these sources will be impacted by the pace of economic recovery. See “CITY BUDGET— Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor’s Budget Instructions ” for a summary of the most recent projections.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO						
Other Local Taxes						
Fiscal Years 2020-21 through 2025-26						
General Fund						
(000s)						
Tax	2020-21 Actuals ¹	2021-22 Actuals ¹	2022-23 Actuals ¹	2023-24 Pre-Audit ²	2024-25 Original Budget ³	2025-26 Original Budget ³
Utility Users Tax	\$81,367	\$105,225	\$110,661	\$121,931	\$110,730	\$111,830
Access Line Tax	44,700	55,710	53,171	64,609	53,730	55,090
Parking Tax	47,555	71,122	82,716	86,178	86,900	86,800
Sugar Sweetened Beverage Tax	10,435	11,973	12,870	11,625	12,700	12,700
Stadium Admissions Tax	182	4,615	5,984	8,567	7,400	74,000
Cannabis Tax	N/A	N/A	N/A	-	-	
Overpaid Executives Tax	N/A	N/A	206,041	124,424	140,000	140,000

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

² Fiscal year 2023-24 is pre-audit actuals.

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

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

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

The City receives allocations of State sales tax and VLF revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See “GENERAL FUND REVENUES – OTHER CITY TAX REVENUES – Sales and Use Tax” above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.
- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.
- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City’s proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county’s percent share of total statewide sales taxes in the most recent calendar year.

Table A-17 reflects the City’s actual receipts for fiscal years 2020-21 through 2023-24 and projection for fiscal years 2024-25 and 2025-26.

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TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2020-21 through 2025-26
(\$millions)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Tax	Actuals ¹	Actuals ¹	Actuals ¹	Pre-Audit ²	Original Budget ³	Original Budget ³
Health and Welfare Realignment						
General Fund	\$188.9	\$283.5	\$290.7	\$264.6	\$283.6	\$290.5
Hospital Fund	48.1	67.1	67.9	63.4	63.6	64.2
Total - Health and Welfare	\$237.1	\$350.6	\$358.6	\$328.0	\$347.2	\$354.7
Backfill Realignment⁴						
General Fund	\$22.1					
Non General Fund	6.0					
Total - Backfill Realignment	\$28.0					
Public Safety Realignment (General Fund)	\$38.4	\$52.1	\$58.6	\$55.6	\$55.4	\$56.8
Public Safety Sales Tax (Prop 172) (General Fund)	\$105.0	\$ 93.8	\$ 94.9	\$97.2	\$99.6	\$102.3

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

² Fiscal Year 2023-24 is pre-audit actuals.

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

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

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

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

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

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TABLE A-18

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

Major Service Areas	2019-20 Final Budget ¹	2020-21 Final Budget ¹	2021-22 Final Budget ¹	2022-23 Final Budget ¹	2023-24 Original Budget ²	2024-25 Original Budget ³
Public Protection	\$1,493,240	\$1,505,780	\$1,586,264	\$1,681,489	\$1,747,204	\$1,837,737
Human Welfare & Neighborhood Development	1,270,530	218,986	1,571,761	1,621,981	1,604,163	1,641,289
Community Health	1,065,051	1,605,573	1,119,891	1,118,010	1,125,977	1,144,476
General Administration & Finance	332,296	1,158,599	353,518	351,738	345,406	352,660
Culture & Recreation	161,274	147,334	161,417	180,475	201,453	190,338
General City Responsibilities	137,851	332,997	159,299	201,959	184,513	194,821
Public Works, Transportation & Commerce	216,824	126,993	244,365	275,941	242,912	232,734
Total²	\$4,677,066	\$5,096,262	\$5,196,515	\$5,431,593	\$5,451,628	\$5,594,055

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

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

³ Fiscal year 2024-25 amounts are from Original Budget, adopted July 31, 2024.

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

Public Protection primarily includes the Police Department, the Fire Department, and the Sheriff's Office which is primarily responsible for City jails rather than law enforcement. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

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

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-19 reflects fiscal year 2024-25 and 2025-26 spending requirements. These mandates are generally budgeted as transfers out of the General Fund or allocations of revenue.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
FY 2024-25 and FY 2025-26
(\$millions)

	2024-25 Original Budget ¹	2025-26 Original Budget ¹
Projected General Fund Aggregate Discretionary Revenue (ADR)	\$4,532.2	\$4,688.8
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 7.068% ADR	\$320.3	\$331.4
MTA - Parking & Traffic Baseline: 2.507% ADR	\$113.6	\$117.6
MTA - Population Adjustment	\$74.5	\$75.4
MTA - 80% Parking Tax In-Lieu	\$69.5	\$71.0
Subtotal - MTA	\$577.9	\$595.3
Library Preservation Fund		
Library - Baseline: 2.286% ADR	\$103.6	\$107.2
Library - Property Tax: \$0.025 per \$100 Net Assessed Valuation (NAV)	\$79.3	\$79.6
Subtotal - Library	\$182.9	\$186.8
Children's Services		
<i>Children's Services Baseline - Requirement: 4.830% ADR</i>	\$218.9	\$226.5
Children's Services Baseline - Eligible Items Budgeted	220.4	232.7
<i>Transitional Aged Youth Baseline - Requirement: 0.580% ADR</i>	26.3	27.2
Transitional Aged Youth Baseline - Eligible Items Budgeted	36.9	39.3
<i>Early Care and Education Baseline Requirement (June 2018 Prop C)</i>	77.2	80.1
Early Care and Education - Eligible Items Budgeted	77.2	80.1
Public Education Services Baseline: 0.290% ADR	13.1	13.6
Children and Youth Fund Property Tax Set-Aside: \$0.0375-0.4 per \$100 NAV	126.9	127.4
<i>Public Education Enrichment Fund: 3.057% ADR</i>	138.5	143.3
1/3 Annual Contribution to Preschool for All	46.2	47.8
2/3 Annual Contribution to SF Unified School District	92.4	95.6
Student Success Fund (SFUSD)	35.0	45.0
Subtotal - Children's Services	\$648.1	\$681.5
Recreation and Parks		
Open Space Property Tax Set-Aside: \$0.025 per \$100 NAV	\$79.3	\$79.6
<i>Recreation & Parks Baseline - Requirement</i>	85.2	88.2
Recreation & Parks Baseline - Budgeted	88.0	90.2
Subtotal - Recreation and Parks	\$167.4	\$169.8
Other		
<i>Housing Trust Fund Requirement</i>	\$47.3	\$49.0
Housing Trust Fund Budget	47.3	49.0
Dignity Fund	59.1	62.1
Street Tree Maintenance Fund: 0.507% ADR	23.0	23.8
Municipal Symphony Baseline: \$0.00125 per \$100 NAV	4.4	4.5
City Services Auditor: 0.2% of Citywide Budget	28.1	27.4
<i>Our City, Our Home Baseline Requirement (Nov 2018 Prop C)</i>	215.0	215.0
Our City, Our Home Budget, Estimated	423.2	415.3
Subtotal - Other	\$585.0	\$582.0
Total Baselines and Set-Asides	\$2,161.3	\$2,215.4

¹ Fiscal year 2024-25 and 2025-26 amounts represent the Mayor's Proposed Budget, June 1, 2024.

EMPLOYMENT COSTS; POST-EMPLOYMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling \$7.3 billion and \$7.1 billion in fiscal years 2024-25 and 2025-26 in the FY25 & FY26 Original Budget. For the General Fund, the combined salary and benefits in the Original Budget is \$3.3 billion in fiscal year 2024-25 and \$3.2 billion in fiscal year 2025-26.

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

Labor Relations

The City's FY24 & FY25 Original Budget includes 40,456 full-time and part-time budgeted City positions. City workers are represented by 36 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"); the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"); and the unions representing Police, Fire, Deputy Sheriffs, and Transit Workers.

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

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

Further, the City Charter requires binding arbitration to resolve negotiations in the event of an impasse. If an impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Registered Nurses and a small group of unrepresented employees, whose working conditions and compensation are established annually by ordinance. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits.

Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter. On July 24, 2023, the California Public Employment Relations Board ("PERB") ruled in favor of SEIU and IFPTE, concluding that City Charter sections A8.346 and A8.409 prohibiting strikes by City employees are invalid, affirming an earlier ruling of an administrative law judge that such City Charter provisions violate the Meyers-Milias-Brown Act. The City has filed a notice of appeal to the California Court of Appeal with respect to the PERB decision. The City can give no assurance whether the appeal will be successful.

In May 2024, the City negotiated three-year agreements (for fiscal years 2024-25 through 2026-27) with 27 labor unions. The City negotiated a 1.5% base wage increase due on July 1, 2024 and 1.5% on January

4, 2025, with an additional 1% base wage increase at the close of business on June 30, 2025. For fiscal year 2025-26, the parties agreed to a base wage increase of 1% on July 1, 2025, 1.5% on January 3, 2026 and 2% at the close of business on June 30, 2026. For fiscal year 2026-27, the parties agreed to a base wage increase of 2% on January 2, 2027 and 2.5% at the close of business on June 30, 2027. The City additionally negotiated a minimum base wage of \$25.00 an hour implemented on July 1, 2024, impacting members of SEIU Local 1021 Citywide and Laborers, Local 261. For fiscal year 2024-25, the Unrepresented Employee Ordinance was passed approving a wage increase of 1.5% on July 1, 2024, 2.25% on January 6, 2024, and 1% at close of business on June 30, 2025.

Also, in May 2024, the MTA negotiated three-year agreements (for fiscal years 2024-25 through 2026-27) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others, collectively referred to as Service-Critical. The parties agreed to the same wage increase schedule as provided in the City agreements.

In 2023, the City negotiated a 2.5% base wage increase with labor organizations representing sworn members of the Police and Fire departments due on July 1, 2023 and 2.25% on January 6, 2024. For fiscal year 2024-25, the parties agreed to a base wage increase of 3.0% on January 4, 2025 with a provision to delay the increase by six months if the City's budget deficit for fiscal year 2024-25, as projected in the March 2024 Joint Report, exceeds \$300 million. The March 2024 Joint Report forecasted a deficit \$235.9 million, below the \$300 million threshold. Therefore no wage delay was triggered. For fiscal year 2025-2026, the parties agreed to a base wage increase of 3.0% on July 1, 2025 with a provision to delay the increase by one year if the City's budget deficit for fiscal year 2025-26, as projected in the March 2025 Joint Report, exceeds \$300 million. See "CITY BUDGET—Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions" for a summary of the March 2024 Joint Report.

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

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TABLE A-20

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

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	554	30-Jun-27
Bricklayers, Local 3	6	30-Jun-27
Building Inspectors' Association	85	30-Jun-27
Carpenters, Local 22	115	30-Jun-27
Carpet, Linoleum & Soft Tile	4	30-Jun-27
Cement Masons, Local 300	43	30-Jun-27
Deputy Probation Officers' Association (DPOA)	120	30-Jun-27
Deputy Sheriffs' Association (DSA)	793	30-Jun-27
Electrical Workers, Local 6	1,047	30-Jun-27
Firefighters' Association, Local 798	2,028	30-Jun-26
Glaziers, Local 718	14	30-Jun-27
Hod Carriers, Local 36	4	30-Jun-27
Ironworkers, Local 377	14	30-Jun-27
Laborers, Local 261	1,237	30-Jun-27
Municipal Attorneys' Association (MAA)	511	30-Jun-27
Municipal Executives' Association (MEA) Fire	12	30-Jun-26
Municipal Executives' Association (MEA) Miscellaneous	1,752	30-Jun-27
Municipal Executives' Association (MEA) Police	16	30-Jun-26
Operating Engineers, Local 3 Miscellaneous	68	30-Jun-27
Operating Engineers, Local 3 Supervising Probation	28	30-Jun-27
Pile Drivers, Local 34	27	30-Jun-27
Plumbers, Local 38	369	30-Jun-27
Police Officers' Association (POA)	2,399	30-Jun-26
Professional and Technical Engineers, Local 21	7,396	30-Jun-27
Roofers, Local 40	13	30-Jun-27
SEIU, Local 1021, H-1	1	30-Jun-27
SEIU, Local 1021 Misc	13,609	30-Jun-27
SEIU, Local 1021 Nurses	1,868	30-Jun-27
SF City Workers United	145	30-Jun-27
SFDA Investigators Association	44	30-Jun-27
Sheet Metal Workers, Local 104	39	30-Jun-27
Sheriffs' Supervisory and Management Association (MSA)	119	30-Jun-27
Stationary Engineers, Local 39	707	30-Jun-27
Teamsters, Local 853	192	30-Jun-27
Teamsters, Local 856, Multi	102	30-Jun-27
Teamsters, Local 856, Supervising Nurses	136	30-Jun-27
Theatrical Stage Emp, Local 16	34	30-Jun-27
TWU, Local 200	537	30-Jun-27
TWU, Local 250-A, Auto Service Work	134	30-Jun-27
TWU, Local 250-A, Miscellaneous	108	30-Jun-27
TWU, Local 250-A, Transit Fare Inspectors	45	30-Jun-27
TWU, Local 250-A, Transit Operator	2,670	30-Jun-27
Union of American Physicians and Dentists (UAPD)	212	30-Jun-27
Unrepresented Employees	94	30-Jun-25
Other	1,007	
	40,456	

San Francisco Employees' Retirement System

History and Administration

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

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

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

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts. The Retirement System estimates that the total active membership as of July 1, 2023 was 46,657, compared to 45,284 as of July 1, 2022. Active membership as of July 1, 2023 included 11,461 terminated vested members and 1,180 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as California Public Employees' Retirement System ("CalPERS") and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 32,104 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-21 shows various member counts in the total Retirement System (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2019 through July 1, 2023. The number of retirees supported by each active member can be an important indicator of growing plan maturity and sensitivity to investment returns, assumption changes, and other changes to the Retirement System. In particular, if the ratio of retirees to active members grows, it indicates that any actuarial losses on retiree liabilities or assets are likely to place a relatively greater burden on employers and active members. The ratio for SFERS had been relatively stable but increased modestly in 2021 and again in 2022 with the two-year decline in number of active members. Although the City has been actively filling vacant positions, the ratio remains elevated above pre-pandemic levels.

TABLE A-21

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

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees & Continuants	Retiree to Active Ratio
2019	34,202	8,911	1,044	44,157	29,490	0.86
2020	34,521	9,478	1,071	45,070	30,128	0.87
2021	33,644	10,066	1,060	44,770	30,854	0.92
2022	33,199	11,066	1,019	45,284	31,719	0.96
2023	34,016	11,461	1,180	46,657	32,104	0.94

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference.

Notes: Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

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

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

The Board adopted the current demographic assumptions at its December 9, 2020 Retirement Board meeting based on the experience study dated August 12, 2020. The current discount rate of 7.20% was adopted at the November 10, 2021 Board meeting, effective for the July 1, 2021 actuarial valuation. The Board voted to maintain these assumptions for the 2022 and 2023 actuarial valuations at its November 17, 2022 and November 8, 2023 meetings, respectively. In the long term, the true cost of a pension plan is determined by actual results and not by assumptions.

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

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financial statements and actuarial reports may be found on the Retirement System's website, www.mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Annual Valuation and Employer Contribution History

Table A-22 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as total contributions for the last five fiscal years ending June 30, 2023. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30 prior to the July 1 valuation date.

TABLE A-22

San Francisco City and County Employees' Retirement System July 1, 2019 through July 1, 2023 (Dollar amounts in 000s)							
As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates ¹ in prior FY
2019	\$ 28,798,581	\$ 26,078,649	\$ 25,247,549	90.6%	87.7%	\$ 1,026,036	23.31%
2020	29,499,918	26,620,218	26,695,844	90.2%	90.5%	1,143,634	25.19%
2021	31,905,275	35,673,834	30,043,222	111.8%	94.2%	1,245,957	26.90%
2022	33,591,565	32,798,524	32,275,474	97.6%	96.1%	1,191,934	24.41%
2023	35,351,967	33,688,428	34,137,005	95.3%	96.6%	1,086,567	21.35%

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

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

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

Note that at the July 1, 2023 valuation date, the market percent funded ratio is slightly lower than the actuarial percent funded ratio, reflecting net asset returns lower than the long-term rate of return assumptions that have not yet been recognized in the smoothed actuarial value of assets. The Retirement System's investment portfolio return was -2.9% in fiscal year 2021-22, 4.3% in fiscal year 2022-23, and 7.9% in fiscal year 2023-24. Global markets remain volatile due to continued uncertainty about the economy, interest rates, inflation, and geopolitical risk.

The actuarial liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy. The most recent actuarial audit was completed in July 2023.

The fiscal year 2022-23 employer contribution rate was 21.35% (estimated to be 18.76% after cost-sharing). The 2022-23 fiscal year City employer contributions to the Retirement System were \$638.0 million, which includes \$404.8 million from the General Fund. The fiscal year 2023-24 employer contribution rate was 18.24% (estimated to be 16.12% after cost-sharing), with a total budget of \$620.9 million, which includes \$381.7 million from the General Fund. The fiscal year 2024-25 employer contribution rate is 16.91% (expected to be 15.27% after cost-sharing), with an estimated total budget of \$671.4 million. The continued declines in the contribution rate reflect the completion of prior amortization layers and the five-year phase-in of investment gains from fiscal year 2020-21, offset by the impact of lower investment returns in fiscal years 2021-22 and 2022-23. Employer contribution rates anticipate annual increases in pensionable payroll of 3.25%. As discussed under "CITY BUDGET—Five-Year Financial Plan Update: FY2024-25 through FY2027-28 and Mayor's Budget Instructions ", increases in retirement costs are projected in the City's Five-Year Financial Plan.

Risks to City's Retirement Plan

In its July 2023 actuarial report, Cheiron identifies three primary risks to the Retirement System as required by Actuarial Standards of Practice No. 51 (Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions). The material risks identified were as follows: investment risk, interest rate risk, and supplemental cost of living adjustment ("COLA") risk. Investment risk is the potential for investment returns to be different than expected, while interest rate risk is the potential for longer-term trends to impact economic assumptions such as inflation and wage increases but particularly the discount rate. Supplemental COLA risk is the potential for the cost of future supplemental COLAs to increase contribution rates.

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

Cheiron's July 2023 report provides stress testing of the supplemental COLA provision and shows that the current funding policy of amortizing new supplemental COLAs over five years manages the risk with contributions remaining very close to baseline and a relatively stable funded status.

Governmental Accounting Standards Board (“GASB”) Disclosures

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

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. There have been no differences between the discount rate and assumed investment return since fiscal-year end 2015. The third distinct difference is that Total Pension Liability includes a provision for supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only supplemental COLAs that have already been granted as of the valuation date.

Table A-23 below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City’s audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-23

Employees' Retirement System GASB 67/68 Disclosures Fiscal Years 2018-2019 through 2022-2023 (Dollar amounts in 000s)						
As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate %	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2019	\$ 30,555,289	7.40%	\$ 26,078,649	85.3%	\$ 4,476,640	\$ 4,213,807
2020	32,031,018	7.40%	26,620,218	83.1%	5,410,800	5,107,271
2021	33,088,765	7.40%	35,673,834	107.8%	(2,585,069)	(2,446,563)
2022	35,489,639	7.20%	32,798,524	92.4%	2,691,115	2,552,997
2023	37,332,835	7.20%	33,688,428	90.2%	3,644,407	3,456,687

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

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

NPL can be quite volatile. The increase in NPL at fiscal year-end 2020 was due to lower-than-expected investment returns. The large decline at fiscal year-end 2021 is due to the 33.7% investment portfolio return during that year, while the increase at fiscal year-end 2022 is due to both the -2.9% return and the reduction in discount rate from 7.4% to 7.2%. NPL increased again at year-end 2023 due to asset returns

below the long-term assumed rate, the November 2022 Charter amendment that increased the June 30, 2023 TPL by \$59 million, and differences between expected and actual demographic assumptions including salary increases.

Asset Management

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

Annualized investment return (net of fees and expenses) for the Retirement System for the five years ending June 30, 2023 was 8.48%. For the ten-year and twenty-year periods ending June 30, 2023, annualized investment returns were 9.05% and 8.36% respectively.

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

Voter Approved Changes to the Retirement Plan

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

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

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

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

Impact on the Retirement System from Changes in the Economic Environment

As of June 30, 2023, the audited market value of Retirement System assets was \$33.7 billion. As of August 31, 2024, the estimated value of SFERS’ investment portfolio was \$36.4 billion. These values represent, as of the date specified, the estimated value of the Retirement System’s portfolio if it were liquidated on

that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The actual total employer contributions to CalPERS were \$52.0 million in fiscal year 2021-22. In addition to the required amounts, the City elected to pay an additional amount of \$8.4 million in fiscal years 2017-18, 2018-19 and 2019-2020; \$5.0 million in fiscal year 2021-22; and \$16.7 million in fiscal year 2022-23 in order to reduce its unfunded liability. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – Post-Employment Health Care Benefits" and "GASB 75 Reporting Requirements."

Medical Benefits

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

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

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

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

Under the City Charter, the Health Service System Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an “OPEB Trust Fund”). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 45”) and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (“GASB 75”), which apply to OPEB Trust Funds, do not apply to the San Francisco Health Service System Trust Fund. However, the City has been funding post-employment healthcare benefits (“OPEB”) in a separate fund, the Retiree Health Care Trust Fund (“RHCTF”) for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

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

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

City Contribution for Retirees

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

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

Health Care Reform

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

Three ACA taxes and one fee have impacted SFHSS rates for medical coverage. The three ACA taxes were repealed in 2020 and 2021; however, Congress revived and extended the Patient-Centered Outcomes Research Institute (“PCORI”) Fee, which had expired in 2019. The PCORI fee, adopted in the ACA, is paid by issuers of health insurance policies and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee is based on the average number of lives covered under the policy or plan. The fee applies to policy or plan years ending on or after October 1, 2012, and before October 1, 2029.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2022-23, based on the most recent audited financial statements, the San Francisco Health Service System received approximately \$874 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately \$738 million; approximately \$215 million of this \$738 million amount was for health care benefits for approximately 24,269 retired City employees and their eligible dependents, and approximately \$523 million was for benefits for

approximately 32,023 active City employees and their eligible dependents.

The 2023 aggregate (employee and employer) cost of medical benefits offered by SFHSS to the City increased by 2.9%. The increase is favorable compared to benchmarks due to several factors including contracting by SFHSS that maintains competition among the health plans, implementing value-based models such as Accountable Care Organizations, use of generic prescription, and implementing flex-funded plans using narrow networks. Flex-funding eliminates the typical margins added by health plans; however, more risk is assumed by the city, and reserves are required to protect against this risk.

Post-Employment Health Care Benefits

The eligibility of former City employees for retiree health care benefits (“OPEB Benefits”) and City and employee contributions to the Retiree Health Care Trust Fund (“RHCTF”) are governed by the Charter (Section A8.432(a-b)). San Francisco voters have passed three different propositions to set these eligibility and contribution requirements: Proposition B passed on June 3, 2008; Proposition C passed on November 8, 2011; and Proposition A passed on November 5, 2013.

Employees hired before January 10, 2009, and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. OPEB Benefit coverage and the City’s required contributions for employees hired on or after January 10, 2009, is described above under “Medical Benefits: City Contribution for Retirees”. Unlike employee pension contributions that are made to individual accounts, contributions to the RHCTF are non-refundable, even if an employee separates from the City and does not receive OPEB Benefits from the City.

Employee and City contributions to the RHCTF are a fixed percentage of pay that varies depending on the employee’s hire date, the year in which the payment is made, and whether the RHCTF is fully funded. Employees hired before January 10, 2009, are required to make contributions equal to 1% of their salary to the RHCTF and employees hired on or after January 10, 2009, are required to make contributions equal to 2% of their salary. The City pays all OPEB Benefits on a pay-as-you-go basis each year and is required to contribute an amount equal to 1% of total pay to the RHCTF.

The City may not make disbursements from the RHCTF until it is fully funded, subject to the following exception. If the sum of the City’s annual RHCTF contributions and OPEB Benefit payments (together, the “OPEB Cost”) is projected to exceed 10% of payroll, the RHCTF Board may authorize stabilization disbursements from the RHCTF to the extent necessary to reduce the City’s OPEB Cost to 10% of payroll provided that such stabilization disbursement does not exceed 10% of the balance in the RHCTF as of the prior year. The City has never had to make a disbursement from the RHCTF, and OPEB Cost as a percentage of payroll for fiscal year 2022-23 was 6.2%.

GASB 75 Reporting Requirements

In June 2015, GASB issued GASB 75. GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for fiscal year 2017-18. According to GASB’s Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its OPEB Benefits obligation at least once every two years. As of the measurement date of June 30, 2023 (issued October 2024), used in the most recent actuarial valuation report dated June 30, 2023, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 19.3%. This reflects the net position of the RHCTF in the amount of \$938.9 million divided by the total OPEB liability of \$4.9 billion. The estimated covered payroll (annual payroll of active employees covered by the plan) was \$4.5 billion, and the ratio of the Net OPEB liability to the covered payroll was 86.8%.

Under GASB 75, the annual OPEB Expense can be calculated as the change in the City's Net OPEB liability plus the changes in deferred outflows and inflows plus employee contributions. As stated above, employee and City contributions to the RHCTF are set by the Charter and are not actuarially determined. The annual OPEB Expense is included in the five-year trend information displayed in Table A-24 below purely for informational purposes.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO								
Five-year Trend								
Fiscal Years 2019-20 to 2023-24								
(000s)								
Fiscal Year	(A) Paygo Benefit Payments	(B) Trust Contributions	(A + B = C) Annual OPEB Cost	(D) Annual OPEB Expense	(C / D = E) Annual OPEB Cost as % of Annual OPEB Expense	Plan Fiduciary Net Position	Plan Fiduciary Net Position as % of TOL	Net OPEB Liability
2019-20	\$196,445	\$39,518	\$235,963	\$330,673	71.4%	\$366,602	8.6%	\$3,915,815
2020-21	206,439	39,555	245,994	320,684	76.7%	488,989	11.3%	3,823,335
2021-22	211,025	41,841	252,866	272,001	93.0%	718,777	16.3%	3,691,121
2022-23	215,408	45,241	260,649	256,974	101.4%	739,880	16.5%	3,746,270
2023-24	229,922	48,779	278,701	261,158	106.7%	938,866	19.3%	3,924,832

Source: Postretirement Health Plan GASB 74/75 Reports produced by Cheiron in November 2019, December 2021, December 2023, and October 2024.

Total City Employee Benefits Costs

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

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

TABLE A-25

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

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

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

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

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

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee, which is established by the Board of Supervisors. The Committee consists of the following members, who are nominated by the Treasurer and confirmed by the Board of Supervisors:

- Seat 1 is held by the Controller or the Controller's designee.
- Seat 2 is held by the County Superintendent of Schools or the Superintendent's designee.
- Seat 3 is held by the Chancellor of the Community College District or the Chancellor's designee.
- Seats 4 and 5 are held by employees of City departments or local agencies that participate in the

City's pooled fund. These are currently held by the San Francisco International Airport and the San Francisco Public Utilities Commission.

- Seats 6 and 7 are held by members of the public who have expertise in, or an academic background in public finance

A complete copy of the Treasurer's Investment Policy, dated May 2024, is included as an Appendix to this Official Statement.

Investment Portfolio

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

TABLE A-26

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

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

September Earned Income Yield: 3.700%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco

From Citibank-Custodial Safekeeping, MaxQ Analytics.

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TABLE A-27

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

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

Weighted Average Maturity: 470 Days

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

Further Information

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

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee (the "CPC") and the Capital Planning Program ("CPP"). The CPC makes recommendations to the Mayor and Board of Supervisors on the City's capital expenditures and plans. The CPC reviews and submits the Capital Plan, Capital Budget, and issuances of long-term debt for approval. The CPC is chaired by the City Administrator and includes the President of the Board of Supervisors, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the MTA, the General Manager of the SFPUC, the

General Manager of the Recreation and Parks Department, and the Executive Director of the Port. To help inform CPC recommendations, the CPC staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year.

The fiscal years 2024-2033 Capital Plan (the "Adopted Capital Plan") was approved by the CPC on February 27, 2023, and was adopted by the Board of Supervisors on May 9, 2023. The Adopted Capital Plan contains \$41.4 billion in capital investments over the coming decade for all City departments, including \$5.8 billion in projects for General Fund-supported departments. The Adopted Capital Plan proposes \$2.2 billion for General Fund pay-as-you-go capital projects through fiscal year 2032-33. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects, and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. \$2.7 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

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

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

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

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes (“general obligation bonds” or “GO bonds”) can only be authorized with a two-thirds approval of the voters. As of October 15, 2024, the City had approximately \$2.2 billion aggregate principal amount of GO bonds outstanding. In addition to the City’s general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation bonds as shown in Table A-33.

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

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TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of October 15, 2024 ^{1 2}

Fiscal Year	Principal	Interest	Annual Debt Service
2024-25	\$156,061,476	\$94,821,899	\$250,883,375
2025-26	160,466,279	86,699,562	247,165,841
2026-27	155,115,840	79,384,534	234,500,374
2027-28	159,544,035	72,290,137	231,834,172
2028-29	167,841,751	64,989,710	232,831,461
2029-30	176,075,095	57,181,381	233,256,475
2030-31	144,076,950	49,031,589	193,108,539
2031-32	150,005,000	42,795,765	192,800,765
2032-33	119,490,000	36,482,707	155,972,707
2033-34	102,195,000	31,599,847	133,794,847
2034-35	96,675,000	27,570,657	124,245,657
2035-36	62,450,000	23,836,143	86,286,143
2036-37	52,250,000	21,551,763	73,801,763
2037-38	54,075,000	19,722,911	73,797,911
2038-39	48,340,000	17,815,652	66,155,652
2039-40	48,355,000	16,131,920	64,486,920
2040-41	43,040,000	14,422,231	57,462,231
2041-42	44,675,000	12,790,188	57,465,188
2042-43	46,380,000	11,078,137	57,458,137
2043-44	48,165,000	9,296,299	57,461,299
2044-45	50,020,000	7,438,235	57,458,235
2045-46	46,575,000	5,506,630	52,081,630
2046-47	13,465,000	3,713,546	17,178,546
2047-48	14,040,000	3,137,495	17,177,495
2048-49	5,345,000	2,535,881	7,880,881
2049-50	5,530,000	2,354,712	7,884,712
2050-51	5,725,000	2,159,925	7,884,925
2051-52	5,935,000	1,950,338	7,885,338
2052-53	6,155,000	1,732,790	7,887,790
2053-54	6,380,000	1,506,973	7,886,973
2054-55	6,610,000	1,272,671	7,882,671
2055-56	6,855,000	1,029,667	7,884,667
2056-57	7,110,000	777,438	7,887,438
2057-58	7,370,000	515,551	7,885,551
2058-59	3,895,000	243,790	4,138,790
2059-60	4,010,000	123,668	4,133,668
TOTAL	\$2,230,296,426	\$825,492,341	\$3,055,788,767

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

² Totals reflect rounding to nearest dollar.

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

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

Authorized but Unissued City GO Bonds

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

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

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

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

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

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

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

In March 2024, voters approved Proposition A (“2024 Affordable Housing Proposition”), which authorized the issuance of up to \$300.0 million in general obligation bonds to construct, develop, acquire, and/or rehabilitate housing, including workforce housing and senior housing, that will be affordable to households ranging from extremely low-income to moderate-income households. No series have yet been issued under the 2024 Affordable Housing Proposition authorization.

Refunding General Obligation Bonds

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

TABLE A-29

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

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

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

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

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

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

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

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

Table A-30 on the following page lists for each of the City’s voter-authorized general obligation bond programs, the amounts issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of October 15, 2024, the City had authorized and unissued general obligation bond authority of approximately \$1.6 billion.

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TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of October 15, 2024 ^{1 2}

Bond Authorization Name	Election Date	Authorized Amount	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	\$-	2
			2007A	\$30,315,450	\$10,346,426	
			2015A	\$24,000,000	-	
Reauthorization to Repurpose for Affordable Housing	11/8/16		2019A	\$72,420,000	\$67,710,000	
			2020C	\$102,580,000	\$91,915,000	\$85,684,550
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$21,090,000	
			2012B	\$73,355,000	-	
			2016A	\$8,695,000	\$5,325,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$102,840,000	
			2012D	\$251,100,000	-	
			2014A	\$209,955,000	-	-
Earthquake Safety and Emergency Response Bond	6/8/10	\$412,300,000	2010E	\$79,520,000	-	
			2012A	\$183,330,000	-	
			2012E	\$38,265,000	-	
			2013B	\$31,020,000	-	
			2014C	\$54,950,000	-	
			2016C	\$25,215,000	\$15,995,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	-	
			2013C	\$129,560,000	-	
			2016E	\$44,145,000	\$28,005,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	-	
			2016B	\$43,220,000	\$17,285,000	
			2018A	\$76,710,000	-	
			2019B	\$3,100,000	-	-
Earthquake Safety and Emergency Response Bond	6/3/14	\$400,000,000	2014D	\$100,670,000	-	
			2016D	\$109,595,000	\$53,965,000	
			2018C	\$189,735,000	-	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	-	
			2018B	\$174,445,000	-	
			2020B	\$135,765,000	\$95,430,000	
			2021C-1	\$104,785,000	\$81,070,000	
			2021C-2	\$18,000,000	-	-
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$36,230,000	
			2018D	\$142,145,000	\$81,420,000	
			2019C	\$92,725,000	\$20,680,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	-	
			2018E	\$49,955,000	-	
			2020D-1	\$111,925,000	\$75,385,000	
			2020D-2	\$15,000,000	-	-
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000	2020A	\$49,675,000	-	
			2023B	\$39,020,000	-	\$336,305,000
Affordable Housing Bond	11/5/19	\$600,000,000	2021A	\$254,585,000	\$162,425,000	
			2023C	\$170,780,000	\$104,160,000	\$174,635,000
Earthquake Safety and Emergency Response Bond	3/3/20	\$628,500,000	2021B-1	\$69,215,000	\$62,665,000	
			2021B-2	\$11,500,000	-	
			2021E-1	\$74,090,000	\$57,975,000	
			2021E-2	\$13,000,000	-	\$460,695,000
Health and Recovery Bond	11/4/20	\$487,500,000	2021D-1	\$194,255,000	\$160,130,000	
			2021D-2	\$64,250,000	-	
			2023A	\$28,785,000	\$27,025,000	\$200,210,000
Affordable Housing Bond	3/5/24	\$300,000,000	-	-	-	\$300,000,000
SUBTOTAL		\$6,278,700,000		\$4,721,170,450	\$1,379,071,426	\$1,557,529,550
General Obligation Refunding Bonds	Dated Issued			Bonds Issued	Bonds Outstanding	
Series 2020-R1	5/7/20			\$195,250,000	\$140,415,000	
Series 2021-R1	5/6/21			\$91,230,000	\$67,545,000	
Series 2021-R2	9/16/21			\$86,905,000	\$25,205,000	
Series 2022-R1	5/18/22			\$327,300,000	\$277,445,000	
Series 2024-R1	5/22/24			\$340,615,000	\$340,615,000	
SUBTOTAL				\$1,041,300,000	\$851,225,000	
TOTALS		\$6,278,700,000		\$5,762,470,450	\$2,230,296,426	\$1,557,529,550

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

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

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

General Fund Lease Obligations

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

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

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TABLE A-31

Debt Service on Lease Revenue Bonds and Certificates of Participation
As of October 15, 2024^{1 2}

Fiscal Year	Principal	Interest ³	Annual Payment Obligation
2024-25 ⁴	\$79,118,037	\$66,580,814	\$145,698,852
2025-26	78,468,229	64,147,414	142,615,643
2026-27	79,118,731	60,202,410	139,321,142
2027-28	74,655,000	56,325,250	130,980,250
2028-29	78,180,000	52,599,220	130,779,220
2029-30	81,700,000	48,828,216	130,528,216
2030-31	75,220,000	45,209,989	120,429,989
2031-32	68,735,000	42,109,403	110,844,403
2032-33	70,285,000	39,246,804	109,531,804
2033-34	73,220,000	36,153,022	109,373,022
2034-35	66,975,000	33,138,934	100,113,934
2035-36	67,730,000	30,041,180	97,771,180
2036-37	68,430,000	26,878,545	95,308,545
2037-38	71,420,000	23,686,358	95,106,358
2038-39	74,560,000	20,347,590	94,907,590
2039-40	77,860,000	16,843,428	94,703,428
2040-41	81,315,000	13,165,237	94,480,237
2041-42	68,645,000	9,316,361	77,961,361
2042-43	34,365,000	6,398,656	40,763,656
2043-44	34,010,000	4,758,706	38,768,706
2044-45	20,115,000	3,573,000	23,688,000
2045-46	13,695,000	2,768,400	16,463,400
2046-47	14,245,000	2,220,600	16,465,600
2047-48	13,220,000	1,650,800	14,870,800
2048-49	13,750,000	1,122,000	14,872,000
2049-50	14,300,000	572,000	14,872,000
TOTAL⁵	\$1,493,334,998	\$707,884,338	\$2,201,219,336

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

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

³ Totals reflect rounding to nearest dollar.

⁴ Includes payments made to date in current fiscal year.

⁵ For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 6.0%. These bonds are in variable rate mode.

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

Voter-Approved Lease Revenue Bonds

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition F, which authorizes the City to lease finance (without limitation as to maximum aggregate principal amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued \$8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue additional bonds at this time.

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

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

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

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

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

TABLE A-32

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds¹
As of October 15, 2024^{1 2}

Issue Name	Final Maturity	Original Principal	Outstanding Principal
CERTIFICATES OF PARTICIPATION			
Series 2009D - Taxable BABs (525 Golden Gate Avenue)	2041	\$129,550,000	\$124,975,000
Series 2013B - Non-AMT (Port Facilities Project)	2038	4,830,000	4,830,000
Series 2013C - AMT (Port Facilities Project)	2043	32,870,000	19,195,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	8,775,000
Series 2017A - Taxable (Hope SF)	2047	28,320,000	23,935,000
Series 2017B (Moscone Convention Center Expansion Project)	2042	412,355,000	345,655,000
Series 2019A (49 South Van Ness Project)	2050	247,810,000	236,815,000
Refunding Series 2019-R1 (Multiple Capital Improvement Projects)	2035	116,460,000	76,745,000
Refunding Series 2020-R1 (Multiple Capital Improvement Projects)	2033	70,640,000	53,255,000
Series 2020 (Animal Care & Control Project)	2041	47,075,000	42,330,000
Series 2021A (Multiple Capital Improvement Projects)	2041	76,020,000	70,730,000
Series 2023A - Taxable (Affordable Housing and Community Facilities Projects)	2043	103,410,000	100,670,000
Series 2023B (Multiple Capital Improvement Projects)	2043	80,040,000	77,595,000
Refunding Series 2024-R1 (Multiple Capital Improvement Projects)	2033	214,585,000	214,585,000
SUBTOTAL CERTIFICATES OF PARTICIPATION		\$1,580,090,000	\$1,400,090,000
LEASE PURCHASE FINANCINGS			
2010 Lease Purchase Financing (SFGH Emergency Backup Generators)	2025	\$22,549,489	\$3,320,763
2016 Lease Purchase Financing (Public Safety Radio Replacement Project)	2026	34,184,136	9,089,235
SUBTOTAL LEASE PURCHASE FINANCINGS		\$56,733,625	\$12,409,998
FINANCE CORPORATION LEASE REVENUE BONDS			
Refunding Series 2008-1 (Moscone Center Expansion Project) - Variable	2030	\$72,670,000	\$21,500,000
Refunding Series 2008-2 (Moscone Center Expansion Project) - Variable	2030	72,670,000	\$21,500,000
Refunding Series 2018A (Open Space Fund - Various Park Projects)	2029	34,950,000	16,115,000
Refunding Series 2018B (Branch Library Improvement Program)	2028	13,355,000	6,030,000
SUBTOTAL LEASE REVENUE BONDS		\$193,645,000	\$65,145,000
TOTAL		\$1,830,468,625	\$1,477,644,998

¹ Excludes commercial paper and California HFA Revenue Bonds (San Francisco Supportive Housing - 833 Bryant Apartments) (\$26,485,000)

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

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

Board Authorized and Unissued Long-Term Certificates of Participation

Certain issuances below have been authorized as supplements to a lease (“Master Lease”), which currently supports the City’s outstanding Certificates of Participation (“COPs”), Series 2019-R1, Series 2020-R1, Series 2021A, Series 2023A, Series 2023B, and Series 2024-R1, by and between the City and a third-party trustee, currently U.S. Bank National Association. Properties leased pursuant to the Master Lease currently include the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco; the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno; and One South Van Ness Property located at 1 South Van Ness Avenue, San Francisco. The proposed Series 2024A COP issuance would be issued under the Master Lease on parity with the previously mentioned outstanding series of Master Lease COPs.

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

Housing Trust Fund Project: In April 2016, the Board authorized and the Mayor approved the issuance of not to exceed \$95.0 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) authorized under the Master Lease to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City previously issued commercial paper to finance these projects and paid down its commercial paper balance.

Hall of Justice Relocation Projects: In October 2019, the Board authorized and the Mayor approved the issuance of not to exceed \$62.0 million principal amount of City and County of San Francisco Certificates of Participation (Multiple Capital Projects) authorized under the Master Lease to finance or refinance tenant improvements involving the construction, acquisition, improvement, renovation, and retrofitting of City-owned properties as needed for the Hall of Justice Improvement Project enabling staff and offices to be consolidated in acquired City-owned properties. The City funded \$4.6 million in project fund and related financing costs related to this authorization for the 444 Sixth Street acquisition as part of the Certificates of Participation, Series 2021A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2025-26 or later.

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

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

Critical Repairs and Recovery Stimulus (FY2022): In July 2021, the Board authorized and the Mayor approved the issuance of not to exceed \$67.5 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local economic stimulus projects. The City funded \$31.9 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

Critical Repairs, Recovery Stimulus and Street Repaving Projects (FY2023): In July 2022, the Board authorized and in August 2022 the Mayor approved the issuance of not to exceed \$140.0 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of (a) street repaving and reconstruction, (b) critical repairs, including renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and (c) local economic stimulus projects. The City funded \$48.4 million in project fund and related financing costs for this authorization as part of the Certificates of Participation Series 2023B issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

Affordable Housing and Community Development Projects: In May 2023 the Board authorized and in June 2023 the Mayor approved the issuance of not to exceed \$146.8 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvement, affordable housing and community facility development projects. The City funded \$102.0 million in project funds for this authorization as part of the Certificates of Participation, Series 2023A issuance. The City expects to issue the remainder of the long-term COPs in fiscal year 2024-25 or later.

Critical Repairs and Street Repaving Projects (FY2024): In September 2023 the Board authorized and the Mayor approved the issuance of not to exceed \$77.2 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City expects to issue its first series of long-term COPs in fiscal year 2024-25.

Critical Repairs and Street Repaving Projects (FY2025): In September 2024 the Board authorized and the Mayor approved the issuance of not to exceed \$61.4 million of City and County of San Francisco Certificates of Participation authorized under the Master Lease, to finance and refinance certain capital improvements generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets, and works utilized by various City departments. The City expects to issue its first series of long-term COPs in fiscal year 2025-26.

Treasure Island Stage 2 Certificates of Participation. In May 2024, legislation amending the Development Agreement and Disposition and Development Agreement for the Treasure Island development project was approved by the Board of Supervisors. This amendment includes a proposal for the City to issue Certificates of Participation to fund \$115 million in infrastructure improvements related to Stage 2 of the Treasure Island development project. If the COP authorizing legislation is approved, the City would expect to issue its first series of long-term COPs in fiscal year 2024-25.

Commercial Paper Program

In March 2009, the Board of Supervisors authorized and the Mayor approved a not-to-exceed \$150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the “Original CP Program”). In July of 2013, the Board of Supervisors authorized, and the Mayor approved an additional \$100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the “Second CP Program” and together with the Original CP Program, the “City CP Program”) that increased the total authorization of the City CP Program to \$250.0 million.

Commercial Paper Notes (the “CP Notes”) are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles. Projects are eligible to access the CP Program once the Board of Supervisors and the Mayor have approved the project and the long-term, permanent financing for the project.

The Series 1 and 1-T and Series 2 and 2-T CP notes are secured by a \$150 million revolving credit agreement with Wells Fargo, which expires in March 2026.

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

As of October 15, 2024, the outstanding principal amount of CP Notes is \$51.3 million. The average interest rate for the \$41.5 million outstanding tax-exempt CP Notes is 3.03%. The interest rate for the \$9.8 million outstanding taxable CP Notes is 4.75%. The projects with Board of Supervisors authorized and unissued Certificates of Participation currently utilizing the CP Program includes HOPE SF, DPH Facilities Improvements, Critical Repairs & Recovery Stimulus, and Hall of Justice Relocation Project - Tenant Improvements. Additionally, there is a short-term financing for Police Vehicle acquisition utilizing the City’s CP Program and is expected to be paid down over time. The following is a summary of the outstanding liability by project associated with the CP Notes outstanding.

Project	CP Notes Liability as of 10/15/2024
HOPE SF	\$3,645,796
DPH Facilities Improvements	35,670,000
Critical Repairs & Recovery Stimulus	9,448,460
Police Vehicle Acquisition	1,783,113
HOJ Relocation – Tenant Improvements	717,631
TOTAL	\$51,265,000

Overlapping Debt

Table A-33 shows bonded debt and long-term obligations as of October 15, 2024, sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City’s outstanding general obligation bond debt to 3% of the total

assessed valuation of all taxable real and personal property within the City.

TABLE A-33

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

<u>2024-25 Assessed Valuation</u> (includes unitary utility valuation):	\$351,900,093,338 ¹
<u>GENERAL OBLIGATION BONDED DEBT</u>	
San Francisco City and County	\$2,230,296,426
San Francisco Unified School District	932,935,000
San Francisco Community College District	642,020,000
TOTAL GENERAL OBLIGATION BONDED DEBT	\$3,805,251,426
<u>LEASE OBLIGATIONS BONDS</u>	
San Francisco City and County	\$1,477,644,998
TOTAL LEASE OBLIGATION BONDED DEBT	\$1,477,644,998 ²
TOTAL COMBINED DIRECT DEBT	\$5,282,896,424
<u>OVERLAPPING TAX AND ASSESSMENT DEBT</u>	
Bay Area Rapid Transit District General Obligation Bond (33.728%)	\$793,683,107
San Francisco Community Facilities District No. 6	114,415,000
San Francisco Community Facilities District No. 7	27,160,000
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,050,422
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	562,820,000
San Francisco Community Facilities District No. 2016-1 Treasure Island, Improvement Areas 1 and 2	99,140,000
San Francisco Special Tax District No. 2020-1 Mission Rock Facilities	150,825,000
City of San Francisco Assessment District No. 95-1	145,000
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	7,805,000
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	4,275,000
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,495,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$1,764,813,529
<u>OVERLAPPING TAX INCREMENT DEBT:</u>	
Successor Agency to the San Francisco Redevelopment Agency	\$745,206,913
Transbay Joint Powers Authority	222,965,000
TOTAL OVERLAPPING INCREMENT DEBT	\$968,171,913
<u>OVERLAPPING TAX INCREMENT REVENUE DEBT:</u>	
San Francisco Infrastructure and Revitalization Financing District No. 1	\$37,420,000
TOTAL OVERLAPPING INCREMENT DEBT	\$37,420,000
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	\$8,053,301,866 ³
<u>Ratios to 2024-25 Assessed Valuation (\$351,900,093,338)</u>	Actual Ratio
Direct General Obligation Bonded Debt (\$3,805,251,426)	1.08% ⁴
Combined Direct Debt (\$5,282,896,424)	1.50%
Total Direct and Overlapping Bonded Debt	2.29%
<u>Ratio to 2024-25 Redevelopment Incremental Valuation (\$45,832,885,271)</u>	
Total Overlapping Tax Increment Debt	2.11%

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

² Excludes 833 Bryant lease.

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

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

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds were authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

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

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

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

Article XIII B of the California Constitution

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

Articles XIII C and XIII D of the California Constitution

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

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

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

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

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

Proposition 1A

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

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

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

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increases a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment

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

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

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

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds

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

Future Initiatives and Changes in Law

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

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

LEGAL MATTERS AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City. Included among these are a number of actions which if successful would be payable from the City's General Fund. Except as otherwise described in this Appendix A as to certain litigation, in the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Ongoing Investigations

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

Mr. Nuru resigned from employment with the City in January 2021. In January 2022, Mr. Nuru pled guilty to taking bribes from contractors, developers, and entities he regulated, including bribes from Walter Wong, a San Francisco construction company executive and permit expediting consultant, who ran or

controlled multiple entities doing business with the City. In August 2022, the district court judge sentenced Mr. Nuru to 84 months in prison.

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

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

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

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

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

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

Mr. Makras' case was severed from Mr. Kelly's, and in August 2022, a jury convicted Mr. Makras of bank fraud for his role in making false statements to a bank in support of the loan to Mr. Kelly. In December 2022, Mr. Makras was sentenced to three years of probation and fined \$15,200. In July 2023, a jury convicted Mr. Kelly of wire fraud and bank fraud, and Mr. Kelly was sentenced in March 2024 to four years in prison and fined \$10,000. The FBI investigation is ongoing, and the City can give no assurance when the FBI will complete its investigation.

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

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

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

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

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

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

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

Human Rights Commission Investigation. On October 11, 2024, Sheryl Davis the Executive Director of Human Rights Commission resigned her post amid allegations of the misuse of public funds. Mawuli Tugbenyoh, formerly the deputy director for the city's Department of Human Resources, was named acting interim director of the Commission. The Mayor announced the imposition of tighter financial controls regarding spending for the Commission. The investigation is ongoing and the City can give no assurance about the outcome of the investigation.

AB 218 and AB 2777 (Sexual Abuse Victims Acts)

Assembly Bill 218, which is called the "California Child Victims Act", became effective in January 2020, and Assembly Bill 2777, which is called the "Sexual Abuse and Cover Up Accountability Act", became effective in January 2023. These bills allow alleged victims of sexual abuse to bring claims which previously had been barred by the applicable statute of limitations. Although there are certain, existing claims against the City as a result of the enactment of these laws, the City is still in the process of evaluating whether these types of claims might have a material impact on the City's finances. The City can give no assurances that additional claims will not be brought against the City as a result of these laws or that any additional claims will not have a material impact on the City's finances.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division of the City Administrator's Office. With certain exceptions, it is the general policy of the City to first evaluate self-insurance and not purchase commercial liability insurance for the risks of losses to which it is exposed. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors. For property insurance, these factors include whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, SFPUC, the Port and Convention Facilities, etc.). The remainder of the

commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement. In recent years, the City has purchased Cyber Liability insurance for departments and certain enterprise fund departments providing critical City services and/or managing high volumes of confidential/personal data.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the ACFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City is self-insured for the financial risk and liability to provide workers' compensation benefits to its employees. The administration of workers' compensation claims and disbursement of all benefit payments is managed by the Workers' Compensation Division of the City's Department of Human Resources and its contracted third-party claims administrator. Estimates of future workers' compensation costs are based on the following criteria: (i) the frequency and severity of historical claim filings; (ii) average claim losses by expense category; (iii) gross payroll and workforce composition; (iv) benefit cost inflation, including increases to the statewide average weekly wage, and medical cost growth; and (v) regulatory developments that impact benefit cost and delivery. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual claim benefit expenditures and an allocated share of overhead expenses for self-insurance administration. The City continues to develop and implement programs to lower or mitigate workers' compensation costs.

APPENDIX B

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE
CITY AND COUNTY OF SAN FRANCISCO
FOR THE YEAR ENDED JUNE 30, 20[24]**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION

\$ _____ SERIES 2025-[R1] (PORT FACILITIES PROJECT) (Non-AMT)	\$ _____ SERIES 2025-[R2] (PORT FACILITIES PROJECT) (AMT)
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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 the Trust Agreement, dated as of October 1, 2013, as supplemented and amended by the First Supplement to Trust Agreement, dated [_____] 1, 2025 (as supplemented and amended, the “Trust Agreement”), by and between the City and U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as trustee (the “Trustee”). Pursuant to Section [8.10] of the Trust Agreement and Section [4.8] of the Project Lease dated as of October 1, 2013, as supplemented and amended, including by the Second Amendment and Supplement to Project Lease, dated [_____] 1, 2025 (as supplemented and amended, the “Project Lease”), by and between the Trustee, as lessor, and the City, as lessee, the City covenants and agrees as follows:

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

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

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

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which is June 30), commencing with the report for the [2024-25] Fiscal Year (which is due not later than [March 27, 2026]), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City’s fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

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

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

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

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

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

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

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

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued lease obligations and certificates of participation payable from the general fund of the City.

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

SECTION 5. Reporting of Listed Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults, if material;
- (3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
- (7) Modifications to the rights of Certificate holders, if material;
- (8) Certificate calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, 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: _____, 2025.

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

Approved as to form:

DAVID CHIU
CITY ATTORNEY

By: _____
Deputy City Attorney

EXHIBIT A

**FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: CITY AND COUNTY OF SAN FRANCISCO

Name of Issue: CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2025-[R1] AND SERIES 2025-[R2]
(PORT FACILITIES PROJECT)

Date of Delivery: _____, 2025

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 has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com 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 CO-SPECIAL COUNSEL OPINIONS

[To be provided by Co-Special Counsel]

APPENDIX G

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



Refunding Certificates of Participation Series 2025-R1

- Ordinance authorizing the execution and delivery of refunding Certificates of Participation to prepay certain certificates of participation that financed certain capital improvement projects of the Port Commission
- Supplemental ordinance appropriating the proceeds of the 2025-R1 Refunding COPs



**Budget & Finance
Committee**

January 29, 2025

Proposed Refunding Certificates of Participation

- The City has identified the Series 2013B and 2013C COPs as potential refunding candidates:

Outstanding Series	Par Amount Outstanding	Average Interest Rate	First Optional Call Date	Final Maturity	Average Annual Debt Service
2013B COPs (AMT)	\$4,830,000	4.90%	3/1/2023	3/1/2038	\$413,000
2013C COPs	\$19,195,000	5.13%	3/1/2023	3/1/2043	\$1,580,000
Total	\$24,025,000	5.08%		3/1/2043	\$1,993,000

- The Series 2013B & 2013C COPs were originally issued to finance various capital improvements for the Port of San Francisco, including infrastructure improvements for the 34th America’s Cup and the construction of a new primary cruise terminal at Pier 27.

Proposed Refunding Certificates of Participation

Current Plan of Finance

- Not to exceed par amount of \$25.0M
- Final Maturity of March 1, 2042*
- True Interest Cost: 4.47%*
- Average Annual Debt Service: \$1.8M*

Lease-Lease Back Structure

- COPs are structured as a lease-lease back agreement, in which the City leases City-owned property to a Trustee and then pays to lease back the property
- The Pier 27 Cruise Terminal, which currently serves as the leased asset for the outstanding 2013B and 2013C COPs, will also serve as the leased asset for the proposed Refunding COPs
 - Assets can be substituted as needed

Sources and Uses (Supplemental Appropriation)

Sources:	Series A	Series B	Total
COP Proceeds	\$5,000,000	\$20,000,000	\$25,000,000
Prior Reserve Funds	483,000	1,995,500	2,478,500
Prior Unspent Proceeds	908,185	-	908,185
Total Sources	\$6,391,185	\$21,995,500	\$28,386,685
Uses:			
Refunding Escrow	\$4,850,000	\$18,500,000	\$23,343,111
Delivery Date Expenses, Reserve Funds, and Market Reserve	1,541,185	3,495,500	5,036,685
Total Uses	\$6,391,85	\$21,995,500	\$28,386,685

**Preliminary estimates, subject to change.*

Anticipated Financing Timeline

Milestones	Dates
• Introduction of Legislation to Board of Supervisors	November 19, 2024
• Budget and Finance Committee	January 29, 2025
• Board of Supervisors Considers Ordinances (1 st Hearing)	February 4, 2025
• Board of Supervisors Considers Ordinances (2 nd Hearing)	February 11, 2025
• Sale and Closing of COPs	Spring 2025*

**Anticipated, timing may vary based on market conditions.*

Thank you



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

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

FROM: Controller's Office of Public Finance

DATE: November 19, 2024

SUBJECT: Ordinance Authorizing Issuance of Refunding Certificates of Participation,
Series 2025-R1 and Series 2025-R2 (Port Facilities) – Not to Exceed \$25,000,000

Supplemental Appropriation Ordinance for Refunding Certificates of Participation

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for adoption the ordinance ("Refunding COPs Ordinance") authorizing the execution and delivery of the Series 2025-R1 and Series 2025-R2 Refunding Certificates of Participation (Port Facilities) (the "Port Refunding COPs") to refinance various previously issued and outstanding Certificates of Participation ("COPs"). A supplemental ordinance appropriating the proceeds of the Port Refunding COPs will be introduced to the Board to accompany the Refunding COPs Ordinance (together the "Ordinances").

Background

The City and County of San Francisco (the "City") has traditionally funded various parts of its capital planning program through the issuance of COPs. In 2012, the Board of Supervisors approved Resolution No. 152-12 which authorized the issuance of up to \$45,000,000 in COPs to finance the design, acquisition, construction, and improvement of various facilities belonging to the Port of San Francisco (the "Port"). These facilities included infrastructure improvement projects for the 34th America's Cup event, the installation of a shoreside power project at Pier 70, and the construction of a new primary cruise terminal at Pier 27.

The authorized COPs were eventually issued as the \$4,830,000 Series 2013B (Port Facilities Project) (Non-AMT) Certificates of Participation (the "2013B COPs") and the \$32,870,000 Series 2013C (Port Facilities Project) (AMT) Certificates of Participation (the "2013C COPs") (collectively referred to as the "2013B&C COPs"). The 2013B COPs financed improvements for governmental uses and were issued on a tax-exempt basis. The 2013C COPs financed facilities with various private activities, including the cruise terminal at Pier 27, and were issued as qualified private activity COPs, wherein interest income on the 2013C COPs is

subject to federal taxation if the alternative minimum tax applies to the investor or holder of the 2013C COPs.

Although the Port has the authority to issue revenue bonds to finance capital projects, it was determined that it would be more cost efficient for the City to issue COPs due to the higher credit ratings and lower interest rates than the Port’s revenue bonds. While the City’s General Fund secures the 2013B&C COPs and is liable in the event of a default, annual lease payments are paid from Port revenues and not from General Fund revenues.

The 2013B&C COPs include an optional call feature that became exercisable on March 1, 2023, allowing the City to call the outstanding 2013B&C COPs and refinance them for savings at any time thereafter.

A summary of the outstanding 2013B&C COPs is provided in Table 1 below:

Table 1: Summary of the Outstanding COPs to be Refinanced

Outstanding Series	Par Amount Outstanding	Outstanding Coupons	Optional Call Date	Final Maturity	Average Annual Debt Service
2013B COPs	\$4,830,000	4.75-5.25%	3/1/2023	3/1/2038	\$413,000
2013C COPs	\$19,195,000	5.00-5.25%	3/1/2023	3/1/2043	\$1,580,000
Total	\$24,025,000	4.75-5.25%	3/1/2023	3/1/2043	\$1,993,000

The Current Plan of Finance

The Refunding COPs Ordinance would authorize the issuance of not-to-exceed \$25,000,000 in Refunding COPs to refinance the 2013B&C COPs. At current market rates, the Port Refunding COPs are projected to generate savings; however, interest rates and capital markets have been particularly volatile over the last year. The Controller’s Office of Public Finance (“OPF”) will continue to monitor market conditions through the anticipated pricing and closing of the transaction in the spring of 2025. In accordance with the City’s approved Debt Policy, the Port Refunding COPs will only be issued if the transaction produces minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue’s True Interest Cost (“TIC”) as the discount rate.

It is expected that the 2013B COPs will be refunded by a tax-exempt series, the 2025-R1 COPs, and the 2013C COPs will be refunded by an AMT series, the 2025-R2 COPs. The 2025-R1 and 2025-R2 COPs will be issued together as a single transaction. As part of the transaction, the prior debt service reserve funds belonging to the 2013B&C COPs will be contributed to the refunding escrow deposit paying down the 2013B&C COPs. Additionally, a small amount of remaining project funds from the 2013B COPs—currently unused and with no remaining available projects to allocate them toward—will also be contributed to the refunding escrow.

Like the 2013B&C COPs, the Port Refunding COPs will be secured by the City’s General Fund, but annual lease payments will be paid from Port revenues.

For good faith estimates required by Code Section 5852.1 of the California Government Code regarding the proposed financing, see **Attachment 1**. The information set forth in **Attachment 1** is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

The Certificates

Under the proposed Refunding COPs Ordinance, the City will structure the Port Refunding COPs using a lease-lease back structure.

Property Lease and Lease Agreement: Pursuant to the Property Lease, the City leases City-owned property including the improvements thereon to a third-party Trustee, currently U.S Bank Trust Company, National Association (“Trustee”). The Property Lease currently includes the Pier 27 Cruise Terminal (the “Leased Property”). Pursuant to the Lease Agreement, the City leases back the Leased Property, together with the improvements thereon, from the Trustee. The City makes annual base rental payments to the Trustee in amounts representing the fair rental value for the improved leased property and equal to the amounts required to repay the Port Refunding COPs. When the Port Refunding COPs are finally paid, the Property Lease and Project Lease (each as supplemented) terminate.

Trust Agreement: Pursuant to the Trust Agreement between the City and the Trustee acting on behalf and for the benefit of Port Refunding COPs holders, the Trustee administers and disburses payments with respect to the Port Refunding COPs and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of the Port Refunding COPs, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The Trustee holds proceeds derived from the sale of the Port Refunding COPs and disburses payments for the costs incurred for the Project, as directed by authorized City representatives.

The Property Lease and Lease Agreement, each between the City and the Trustee, require the City to make base rental payments during the term of the leases in an amount sufficient to pay total base rental payments when due.

The Trust Agreement between the City and the Trustee requires that the base rental payments be deposited in the base rental fund maintained by the trustee. On March 1 and September 1 of each year during the term of the Trust Agreement, the Trustee will apply such amounts as is necessary to make debt service payments with respect to the Port Refunding COPs.

Additional Information

The forms of the related financing documents—including the Preliminary Official Statement (Including Appendix A), Escrow Agreement, Bond Purchase Contract, Notice of Intention to Sell, the Continuing Disclosure Certificate and related documents—will also be submitted, as described below.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Port Refunding COPs. The Official Statement describes the Port Refunding COPs, including sources and uses of funds; security for the Port Refunding 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 Comprehensive Annual 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 Port Refunding COPs.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the Port Refunding COPs and within seven days of the public offering, the Final Official Statement (adding certain

sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Port Refunding 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 Port Refunding 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.

Escrow Agreement: The Resolution approves the form of Escrow Agreement, allowing for the creation of escrow funds to pay the principal and interest due on the 2013B&C COPs. The escrow agent will hold any escrow obligations pursuant to the Escrow Agreement in an irrevocable trust fund account for the City for the benefit of the owners of the COPs to be refunded.

Official Notice of Sale and Notice of Intention to Sell (if the Port Refunding COPs are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Port Refunding 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 Port Refunding COPs announces the date and time of a competitive sale, including the terms relating to the Port Refunding 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 Port Refunding COPs. Pursuant to the Ordinance, the Controller is authorized to award the Port Refunding 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 Port Refunding 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 refunding based on market conditions closer to the sale of the Port Refunding COPs. Should the Port Refunding 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 Port Refunding 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 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 Port Refunding COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of the Ordinances to the Board of Supervisors	November 19, 2024
• Budget and Finance Committee Hearing	January 8, 2025*
• Board Considers Approval of the Ordinances (1 st Reading)	January 14, 2025*
• Final Board Approval of the Ordinances (2 nd Reading)	January 28, 2025
• Sale and Closing of the Port Refunding COPs	February-April 2025

*Please note that dates are estimated pending Board of Supervisors schedule.

Please contact Anna Van Degna (Anna.VanDegna@sfgov.org) or Grant Carson (Grant.Carson@sfgov.org) if you have any questions. Your consideration of this matter is greatly appreciated.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Andres Powers, Mayor's Office
Benjamin McCloskey, Interim Mayor's Budget Director
Harvey Rose, Budget Analyst
Severin Campbell, Budget Analyst
Greg Wagner, Controller
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney
Elaine Forbes, Executive Director of the Port of San Francisco
Nate Cruz, Chief Financial Officer of the Port of San Francisco

Attachment 1

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following estimated information has been provided by the City's Municipal Advisor, Backstrom McCarley Berry & Co.:

1. True interest cost of the Port Refunding COPs: 4.47%
2. Finance charge for the Port Refunding COPs, including all fees and charges for third parties (including underwriter's compensation, financial advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$941,704.44
3. Amount of Port Refunding 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 Port Refunding COPs: \$23,343,111.46
4. Total payment amount for the Port Refunding COPs, being the sum of (a) debt service on the Port Refunding COPs to final maturity, and (b) any financing costs not paid from proceeds of the Port Refunding COPs: \$29,859,625.00

The information set forth above is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

From: [Trejo, Sara \(MYR\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Paulino, Tom \(MYR\)](#); [BLAKE, MARK \(CAT\)](#); [Carson, Grant \(CON\)](#); [Van Degna, Anna \(CON\)](#); [Katz, Bridget \(CON\)](#); [Sevigny, Keith \(CON\)](#); [Trivedi, Vishal \(CON\)](#)
Subject: Mayor -- Ordinance -- Authorizing Refunding Certificates of Participation
Date: Tuesday, November 19, 2024 3:00:52 PM
Attachments: [1. Ordinance Authorizing COPs.docx](#)
[2. PORTREFUND COPs Legislative Digest 11182024.docx](#)
[3. 2025-R1 & 2025-R2 COPs BoS Memo.pdf](#)
[4. Form of Supplement to Trust Agreement.pdf](#)
[5. Form of Supplement to Project Lease.pdf](#)
[6. Form of Escrow Agreement.pdf](#)
[7. Form of Purchase Contract.pdf](#)
[8. Form of Notice of Intent to Sell.pdf](#)
[9. Form of Official Notice of Sale.pdf](#)
[10. Form of Preliminary Official Statement.pdf](#)

Hello Clerks,

Attached is an Ordinance authorizing the execution and delivery from time to time of refunding Certificates of Participation evidencing and representing an aggregate principal amount of not to exceed \$25,000,000 to prepay certain certificates of participation that financed the design, acquisition, construction, reconstruction, expansion, improvement, equipping, renewal, restoration, and/or replacement of certain capital improvements to properties of the Port Commission of the City and County of San Francisco; approving the form of Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee ("Trustee"); approving the form of Supplement to Project Lease, between the City and County of San Francisco and the Trustee, relating to the lease and lease back of all or a portion of the James R. Herman Cruise Terminal at Pier 27; approving the form of Escrow Agreement, 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, approving modifications to documents and agreements; and ratifying previous actions taken in connection therewith.

Best regards,

Sara Trejo

Legislative Aide

Office of the Mayor

City and County of San Francisco